



HALF YEAR FINANCIAL REPORT 2019



STOCKMANN

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Stockmann Group's strategic transformation progressing as planned

April–June 2019, continuing operations

- Consolidated revenue was EUR 242.3 million (279.4), down 12.1% in comparable currency rates mostly due to timing of the Crazy Days campaign.
- Gross margin was 58.6% (58.2).
- Adjusted operating result was EUR 16.2 million (23.8, or 19.3 excluding Nevsky Centre).
- Reported operating result was EUR 10.2 million (29.6).
- Adjusted earnings per share were EUR -0.01 (0.01).

January–June 2019, continuing operations

- Consolidated revenue was EUR 449.5 million (481.8), down 5.5% in comparable currency rates.
- Gross margin was 56.1% (56.9).
- Adjusted operating result was EUR -4.4 million (-1.0, or -10.0 excluding Nevsky Centre).
- Reported operating result was EUR -11.2 million (2.7).
- Adjusted earnings per share were EUR -0.47 (-0.41) and reported earnings per share were EUR -0.56 (-0.35).

The Group's 2019 figures include changes due to IFRS 16. Comparison figures for 2018 are not restated. The IFRS 16 items are presented in the table "Impact of IFRS 16".

Guidance for 2019 remains unchanged

Stockmann expects the Group's adjusted operating profit, excluding Nevsky Centre but including the impact of IFRS 16, to be on a par with 2018.

Strategy process

As of 1 July 2019, the Stockmann Group introduced a simplified organisational structure, where the Stockmann Retail and Real Estate divisions as well as the shared functions were combined into a new Stockmann division. From this date onwards Stockmann Group's reporting segments are Lindex and Stockmann. The half year financial report uses the earlier structure of three segments.

Lindex's updated strategy for 2019–2023 has been approved. The aim is to further strengthen international growth and in particular digital transformation. Lindex has a strong market position in the Nordics, with rapidly growing e-commerce business, well-performing flexible store network, and improving profitability. The Board of Directors sees great potential in Lindex, and has therefore decided to investigate strategic alternatives for the company's ownership.

For the combined Stockmann Retail and Real Estate, a two-year transformation process has started which aims to position Stockmann as a fashion and style authority. As the next step, the company will position itself for growth in the Baltics, both in the fashion and grocery businesses.

To turn Stockmann's result into profit, the business requires significant renewal and reduction of costs, with a savings target of at least EUR 40 million by spring 2021. Savings will start to be visible towards the end of 2019, and will be clearly evident in the 2020 results. The reduction in personnel costs will be less than one third of the total target and over two thirds of the total will come from other savings.

Executive Chairman Lauri Ratia:

We have continued to work on Stockmann's strategy during the spring and summer in order to return our retail business to a sustainable level by 2021. We are in the process of renewing our fashion, beauty and home selections and rejuvenating our stores. We are currently renovating our food store in Tallinn, and in June we announced our plan to renew the entire Jumbo department store in 2020.

The transformation programme with a target to reduce costs by at least EUR 40 million by 2021 is proceeding as planned. We expect that the savings and other measures will start to be visible towards the end of 2019.

In the second quarter, the Stockmann Group's revenue declined mainly due to the timing of the Crazy Day's campaign which this year was held in March in Finland. Our performance has improved towards the summer. Gross margin increased in Stockmann Retail. The online sales growth continued positively, up 22%, in the first half of the year. Our digital marketplace was opened in June, and several new Online Exclusive brands were introduced to customers at stockmann.com.

Lindex had strong growth of 30% in the online store in the first half of 2019. Gross margin improved further due to better management of inventory and markdowns. Lindex continued its digital expansion and started cooperation with the popular Nordic fashion platform boozt.com. We see great potential in Lindex, and therefore the Board of Directors has decided to investigate strategic alternatives for its ownership.

I am very happy to announce that later this month our new CEO and new CFO will start at Stockmann. They will bring a wealth of experience both in consumer business and demanding transformation processes. I am sure that we will move ahead as planned under the leadership of Jari Latvanen and Pekka Vähähyyppä. After these appointments Stockmann will have a strong Management Team who together with the whole personnel will develop Stockmann to the leading fashion and style authority.

KEY FIGURES

| Continuing operations | 4-6/2019 | 4-6/2018 | 1-6/2019 | 1-6/2018 | 1-12/2018 |
|--|-----------------|----------|-----------------|----------|-----------|
| Revenue, EUR mill. | 242.3 | 279.4 | 449.5 | 481.8 | 1 018.8 |
| Gross margin, % | 58.6 | 58.2 | 56.1 | 56.9 | 56.9 |
| EBITDA, EUR mill. | 45.6 | 43.5 | 59.5 | 30.8 | 76.0 |
| Adjusted EBITDA, EUR mill. | 51.6 | 37.7 | 66.3 | 27.1 | 84.3 |
| Operating result (EBIT), EUR mill. | 10.2 | 29.6 | -11.2 | 2.7 | -5.0 |
| Adjusted operating result (EBIT), EUR mill. | 16.2 | 23.8 | -4.4 | -1.0 | 28.4 |
| Net financial items, EUR mill. | -13.6 | -8.8 | -27.3 | -17.5 | -34.6 |
| Result before tax, EUR mill. | -3.3 | 20.8 | -38.5 | -14.8 | -39.6 |
| Result for the period, EUR mill. | -5.5 | 8.0 | -37.9 | -22.9 | -43.7 |
| Earnings per share, undiluted and diluted, EUR | -0.10 | 0.09 | -0.56 | -0.35 | -0.68 |
| Personnel, average | 7 007 | 7 214 | 6 961 | 7 144 | 7 241 |

| Continuing and discontinued operations | 4-6/2019 | 4-6/2018 | 1-6/2019 | 1-6/2018 | 1-12/2018 |
|---|-----------------|----------|-----------------|----------|-----------|
| Net earnings per share, undiluted and diluted, EUR | -0.10 | 0.09 | -0.56 | -0.35 | -0.70 |
| Cash flow from operating activities, EUR mill. | 48.0 | 62.7 | 27.9 | 3.9 | 82.9 |
| Capital expenditure, EUR mill. | 9.3 | 7.4 | 15.8 | 15.1 | 29.3 |
| Equity per share, EUR | | | 10.96 | 11.92 | 11.71 |
| Net gearing, % | | | 121.7 | 72.6 | 64.4 |
| Equity ratio, % | | | 37.2 | 45.7 | 46.2 |
| Number of shares, undiluted and diluted, weighted average, 1 000 pc | | | 72 049 | 72 049 | 72 049 |
| Return on capital employed, rolling 12 months, excl. IFRS 16 items, % | | | -1.0 | -8.3 | -0.4 |

ITEMS AFFECTING COMPARABILITY

| EUR million | 4-6/2019 | 4-6/2018 | 1-6/2019 | 1-6/2018 | 1-12/2018 |
|---|-----------------|----------|-----------------|----------|-----------|
| Adjusted EBITDA | 51.6 | 37.7 | 66.3 | 27.1 | 84.3 |
| <i>Adjustments to EBITDA</i> | | | | | |
| Restructuring and transformation measures | -6.1 | -1.2 | -6.1 | -3.3 | -3.3 |
| Gain or loss on sale of properties | 0.1 | 7.0 | -0.7 | 7.0 | 6.8 |
| Value adjustment to assets held for sale | | | | | -11.9 |
| Adjustments total | -6.0 | 5.7 | -6.8 | 3.7 | -8.4 |
| EBITDA | 45.6 | 43.5 | 59.5 | 30.8 | 76.0 |

| EUR million | 4-6/2019 | 4-6/2018 | 1-6/2019 | 1-6/2018 | 1-12/2018 |
|---|-----------------|----------|-----------------|----------|-----------|
| Adjusted operating result (EBIT) | 16.2 | 23.8 | -4.4 | -1.0 | 28.4 |
| <i>Adjustments to EBIT</i> | | | | | |
| Goodwill impairment | | | | | -25.0 |
| Restructuring and transformation measures | -6.1 | -1.2 | -6.1 | -3.3 | -3.3 |
| Gain or loss on sale of properties | 0.1 | 7.0 | -0.7 | 7.0 | 6.8 |
| Value adjustment to assets held for sale | | | | | -11.9 |
| Adjustments total | -6.0 | 5.7 | -6.8 | 3.7 | -33.4 |
| Operating result (EBIT) | 10.2 | 29.6 | -11.2 | 2.7 | -5.0 |

IMPACT OF IFRS 16

| EUR million, quarterly | Reported 4–6/2019 | IFRS 16 items 4–6/2019 | Excluding IFRS 16 items 4–6/2019 | Reported 4–6/2018 |
|-------------------------------------|----------------------|---------------------------|--|----------------------|
| Revenue | 242.3 | -0.5 | 242.8 | 279.4 |
| EBITDA | 45.6 | 25.5 | 20.0 | 43.5 |
| Adjusted EBITDA | 51.6 | 25.5 | 26.0 | 37.7 |
| Depreciation | 35.3 | 21.7 | 13.6 | 13.9 |
| Operating result (EBIT) | 10.2 | 3.8 | 6.4 | 29.6 |
| Adjusted operating result (EBIT) | 16.2 | 3.8 | 12.4 | 23.8 |
| Net financial items | -13.6 | -6.8 | -6.8 | -8.8 |
| Net result | -5.5 | -2.5 | -3.1 | 8.0 |
| Cash flow from operating activities | 48.0 | 18.7 | 29.3 | 62.7 |

| EUR million, YTD | Reported 1–6/2019 | IFRS 16 items 1–6/2019 | Excluding IFRS 16 items 1–6/2019 | Reported 1–6/2018 |
|-------------------------------------|----------------------|---------------------------|--|----------------------|
| Revenue | 449.5 | -1.1 | 450.6 | 481.8 |
| EBITDA | 59.5 | 51.0 | 8.5 | 30.8 |
| Adjusted EBITDA | 66.3 | 51.0 | 15.3 | 27.1 |
| Depreciation | 70.7 | 43.4 | 27.3 | 28.1 |
| Operating result (EBIT) | -11.2 | 7.6 | -18.8 | 2.7 |
| Adjusted operating result (EBIT) | -4.4 | 7.6 | -12.0 | -1.0 |
| Net financial items | -27.3 | -13.5 | -13.9 | -17.5 |
| Net result | -37.9 | -4.7 | -33.2 | -22.9 |
| Assets | 2 121.8 | 541.3 | 1 580.5 | 1 881.6 |
| Interest-bearing net debt | 961.0 | 529.3 | 431.6 | 623.3 |
| Cash flow from operating activities | 27.9 | 37.6 | -9.6 | 3.9 |

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 the reported operating result (EBIT).

MARKET ENVIRONMENT

The general economic situation was moderate in Finland during the second quarter. Consumer confidence clearly declined, but was still at a good level. The fashion market in Finland in January–June was -1.5% (-1.0%, source: Fashion and Sport Commerce Association, TMA).

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

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

REVENUE AND EARNINGS IN CONTINUING OPERATIONS

The Group's 2019 figures include changes due to IFRS 16. Comparison figures for 2018 are not restated. Further information on changes in accounting principles can be found in notes to the Half year financial report.

April–June 2019

The Stockmann Group's second-quarter revenue was EUR 242.3 million (279.4). Revenue was down by 13.3% on the previous year in euros, or down by 12.1% in comparable currency rates mostly due to timing of the Crazy Days campaign.

The revenue in Finland was down by 20.1%, to EUR 84.7 million (106.0). Revenue in other countries was EUR 158.1 million (173.4); down by 8.9% or down by 10.3% in comparable currency rates excluding the Nevsky Centre.

The gross profit amounted to EUR 142.0 million (162.7) and the gross margin was 58.6% (58.2). The gross margin was up both in Lindex and in Stockmann Retail.

Operating costs were down by EUR 29.8 million, since rental payments for leased premises are not recognised as a cost due to IFRS 16. Excluding rental payments, operating costs were down by EUR 3.7 million, or down by 8.5 million including adjustments related to restructuring and other transformation measures. Operating costs amounted to EUR 96.4 million (126.2).

The Group's adjusted EBITDA was EUR 51.6 million (37.7). Depreciation was EUR 35.3 million (13.9). The increase is due to the leases being recognised as right-of-use assets in the balance sheet and depreciated over the contract period as an impact of IFRS 16.

The adjusted operating result for the second quarter was EUR 16.2 million (23.8, or 19.3 excluding Nevsky Centre). The operating result declined in all divisions. The reported operating result for the quarter was EUR 10.2 million (29.6). The impact of IFRS 16 on the operating result was EUR 3.8 million.

Net financial expenses were EUR 13.6 million (8.8). The increase is due to the impact of IFRS 16. Excluding IFRS 16, financial expenses were down due to decreased interest-bearing liabilities. The result before taxes was EUR -3.3 million (20.8).

January–June 2019

The Stockmann Group's revenue for the period was EUR 449.5 million (481.8). Revenue was down by 6.7% on the previous year in euros, or down by 5.5% in comparable currency rates.

The revenue in Finland was down by 5.5%, to EUR 171.8 million (181.8). Revenue in other countries was EUR 278.8 million (300.1); down by 7.1 % or down by 3.5% in comparable currency rates and excluding Nevsky Centre.

The gross profit amounted to EUR 252.3 million (274.3) and the gross margin was 56.1% (56.9). The gross margin was up in Lindex but down in Stockmann Retail.

Operating costs were down by EUR 57.6 million, since rental payments for leased premises are not recognised as a cost due to IFRS 16. Excluding rental payments, operating costs were down by EUR 5.5 million, or by EUR 8.4 million including adjustments related to restructuring and other transformation measures. Operating costs amounted to EUR 192.8 million (250.4).

The Group's adjusted EBITDA was EUR 66.3 million (27.1). Depreciation was EUR 70.7 million (28.1). The increase is due to the leases being recognised as right-of-use assets in the balance sheet and depreciated over the contract period as an impact of IFRS 16.

The adjusted operating result for the period was EUR -4.4 million (-1.0, or -10.0 excluding Nevsky Centre). The reported operating result for the period was EUR -11.2 million (2.7). The impact of IFRS 16 on the operating result was EUR 7.6 million.

Net financial expenses were EUR 27.3 million (17.5). The increase is due to the impact of IFRS 16. Excluding IFRS 16, financial expenses were down due to decreased interest-bearing liabilities. The result before taxes was EUR -38.5 million (-14.8).

Taxes for the period totalled EUR +0.6 million (-8.1). In June 2019, the Helsinki administrative court rejected Stockmann's appeal against the Finnish Tax Administration's decision on additional taxes of EUR 2.6 million for the years 2009–2011. The additional taxes were related to a tax audit which examined transfer pricing and the market basis of interest rates in the Stockmann Group's internal financing between Finland and Russia. The additional taxes were booked in the financial result for 2017. (Stock Exchange Release 3 October 2017). Stockmann considers the Helsinki administrative court's decision to be unfounded and appealed against it in July 2019.

The result for the period was EUR -37.9 million (-22.9). Adjusted earnings per share for the period were EUR -0.47 (-0.41). Earnings per share were EUR -0.56 (-0.35). Equity per share was EUR 10.96 (11.92).

FINANCING AND CAPITAL EMPLOYED

Cash flow from operating activities came to EUR 48.0 million (62.7) in the second quarter and EUR 27.9 million (3.9) in January–June. Due to IFRS 16, lease payments of EUR 37.6 million are transferred from cash flow from operating activities to cash flow from financial activities.

Total inventories were EUR 149.3 million (149.6) at the end of June, down in Stockmann and up on the previous year in Lindex.

Interest-bearing liabilities, excluding IFRS 16 lease liabilities, at the end of June were EUR 447.5 million (650.4), of which long-term debt amounted to EUR 413.2 million (439.4). The debt declined mainly due to the sale of the Nevsky Centre and Book House properties. The Group has undrawn, long-term committed credit facilities of EUR 179.7 million. The credit facilities include financial covenants related to equity ratio and leverage. During the quarter, Stockmann and the financing banks agreed changes to the covenant criteria related to leverage. Stockmann met the original covenant criteria at the end of June.

In addition, the Group has an uncommitted Commercial Paper programme of EUR 600.0 million of which EUR 32.4 million is in use. Stockmann also has a EUR 84.3 million hybrid bond which is treated as equity. At the end of June, the interest-bearing liabilities including IFRS 16 lease liabilities amounted to EUR 994.4 million. EUR 243.2 million of lease liabilities are related to Stockmann and EUR 303.7 million to Lindex (1.1.2019: Stockmann 243.5, Lindex 309.1).

Cash and cash equivalents totalled EUR 15.7 million (24.9) at the end of June. Assets on the balance sheet were EUR 2 121.8 million (1 881.6) at the end of June, up by EUR 541.3 million due to IFRS 16.

The equity ratio at the end of June was 37.2% (45.7), and net gearing was 121.7% (72.6). IFRS 16 has a significant impact on equity ratio and net gearing. Excluding IFRS 16, the equity ratio would have been 50.3% and net gearing 54.6%.

The Group's capital employed at the end of June was EUR 1 784.3 million, or EUR 1 237.4 million excluding IFRS 16 (1 509.5).

CAPITAL EXPENDITURE

Capital expenditure totalled EUR 9.3 million (7.4) in the second quarter and EUR 15.8 million (15.1) in January–June. Most of the capital expenditure was used for both Lindex's and Stockmann Retail's digitalisation, the renovation of Stockmann Delicatessen in Tallinn, and Lindex's store refurbishments. The digital acceleration in Stockmann continues and a digital marketplace was opened in June 2019.

REVENUE AND EARNINGS BY DIVISION

Stockmann's divisions and reportable segments are Lindex, Stockmann Retail and Real Estate until 30 June 2019. As of 1 July, the reporting segments are Lindex and Stockmann. The segments are reported excluding IFRS 16, as the management follow-up and analyses are based on the reporting without the IFRS 16 changes.

LINDEX

| Lindex | 4-6/2019 | 4-6/2018 | 1-6/2019 | 1-6/2018 | 1-12/2018 |
|--------------------------------------|--------------|----------|--------------|----------|-----------|
| Revenue, EUR mill. | 154.0 | 163.8 | 268.5 | 278.6 | 589.9 |
| Gross margin, % | 64.3 | 63.7 | 62.1 | 61.2 | 61.7 |
| Operating result, EUR mill. | 18.8 | 19.6 | 6.1 | 3.4 | 28.9 |
| Adjusted operating result, EUR mill. | 18.8 | 20.8 | 6.1 | 4.9 | 30.4 |
| Capital expenditure, EUR mill. | 5.5 | 4.1 | 9.4 | 10.3 | 20.1 |

April–June 2019

Lindex's revenue for the quarter was down by 6.0%, to EUR 154.0 million (163.8). Same-store sales in comparable currency rates decreased 2.5%. Sales decreased in all markets, partly due to the timing of Easter. Growth in the online store was 23%.

The gross margin for the quarter was 64.3% (63.7). The gross margin was up due to better management of inventories and thus fewer markdowns.

Comparable operating costs were down by EUR 3.0 million, and amounted to EUR 75.4 million (79.7, or adjusted 78.5). Costs declined mainly due to lower store rental costs, closure of unprofitable stores and lower office costs.

The operating result for the quarter was EUR 18.8 million (19.6, or adjusted operating result 20.8). In Swedish krona, the operating result was on a par with the previous year.

January–June 2019

Lindex's revenue for the period was down by 3.6%, to EUR 268.5 million (278.6). The same-store sales in comparable currency rates were down by 1.5%. Growth in the online store was 30%.

The gross margin for the period was 62.1% (61.2).

Comparable operating costs were down by EUR 4.6 million, and amounted to EUR 151.0 million (157.0, or adjusted 155.5).

The operating result for the period was EUR 6.1 million (3.4, or adjusted operating result 4.9).

Store network

Lindex opened 4 stores and closed 6 stores during the second quarter.

In 2019, Lindex will continue to focus on optimising its store locations. Unprofitable stores will either move to new locations or close down. The total number of stores is estimated to decline slightly, compared to 2018. Expansion into new sales channels will continue.

| Lindex store network | Total 31.12.2018 | Total 31.3.2019 | Closed stores 1-6/2019 | New stores 1-6/2019 | Total 30.6.2019 |
|-------------------------|---------------------|--------------------|---------------------------|------------------------|--------------------|
| Finland | 61 | 61 | 0 | 0 | 61 |
| Sweden | 204 | 202 | 3 | 0 | 199 |
| Norway | 96 | 94 | 3 | 0 | 91 |
| Estonia | 9 | 9 | 0 | 0 | 9 |
| Latvia | 10 | 10 | 0 | 0 | 10 |
| Lithuania | 9 | 9 | 0 | 0 | 9 |
| Czech Republic | 28 | 28 | 0 | 0 | 28 |
| Slovakia | 12 | 12 | 0 | 1 | 13 |
| Poland | 2 | 0 | 0 | 0 | 0 |
| UK | 2 | 2 | 0 | 0 | 2 |
| Iceland* | 7 | 6 | 0 | 0 | 6 |
| Bosnia and Herzegovina* | 7 | 8 | 0 | 1 | 9 |
| Serbia* | 5 | 5 | 0 | 1 | 6 |
| Kosovo* | 1 | 1 | 0 | 0 | 1 |
| Albania* | 1 | 1 | 0 | 0 | 1 |
| Saudi Arabia* | 17 | 16 | 0 | 1 | 17 |
| Qatar* | 2 | 2 | 0 | 0 | 2 |
| Tunisia* | 1 | 1 | 0 | 0 | 1 |
| Total | 474 | 467 | 6 | 4 | 465 |
| Own stores | 433 | 427 | 6 | 1 | 422 |
| Franchising stores (*) | 41 | 40 | 0 | 3 | 43 |

STOCKMANN RETAIL

| Stockmann Retail | 4-6/2019 | 4-6/2018 | 1-6/2019 | 1-6/2018 | 1-12/2018 |
|--------------------------------------|--------------|----------|--------------|----------|-----------|
| Revenue, EUR mill. | 84.9 | 104.7 | 172.9 | 181.0 | 386.2 |
| Gross margin, % | 46.7 | 45.4 | 44.8 | 45.1 | 45.0 |
| Operating result, EUR mill. | -10.6 | -3.6 | -22.1 | -20.8 | -27.5 |
| Adjusted operating result, EUR mill. | -7.4 | -3.6 | -18.9 | -19.1 | -25.7 |
| Capital expenditure, EUR mill. | 2.2 | 1.1 | 3.8 | 1.4 | 3.2 |

April-June 2019

Stockmann Retail's revenue for the quarter was EUR 84.9 million (104.7). Revenue was down by 19.0%. Revenue, including also online sales, declined mainly due to the timing of the Crazy Day's campaign.

Revenue in Finland was EUR 63.4 million (81.6). Revenue was down by 22.4% compared with the previous year due to the timing of the Crazy Days campaign which took place in Finland at the end of March, while in 2018 it was in April. Revenue in the Baltic department stores was down by 7.0%, to EUR 21.5 million (23.1) partly due to ongoing renovation of the Delicatessen store. The Crazy Days campaign in the Baltics took place in April.

The gross margin for the quarter was 46.7% (45.4). The gross margin increased mainly due to the timing of the Crazy Days and summer sale campaigns.

Operating costs were down by EUR 0.8 million, or down by EUR 4.0 million including adjustments related to restructuring measures, and amounted to EUR 47.2 million (48.0). Personnel and support function costs declined but rents were up.

Adjusted EBITDA was EUR -4.4 million (-0.4). Adjusted operating result for the quarter was EUR -7.4 million (-3.6) and the reported operating result EUR -10.6 million (-3.6).

January-June 2019

Stockmann Retail's revenue for the period was EUR 172.9 million (181.0). Revenue was down by 4.5%. Growth in the online store was 22%.

Revenue in Finland was EUR 133.6 million (138.7). Revenue was down by 3.7% compared with the previous year. Revenue in the Baltic department stores was down by 7.3%, to EUR 39.2 million (42.3).

The gross margin for the period was 44.8% (45.1).

Operating costs were down by EUR 2.4 million, or down by EUR 3.8 million including adjustments related to restructuring measures, and amounted to EUR 93.5 million (95.9).

Adjusted EBITDA was EUR -12.8 million (-12.5). Adjusted operating result for the period was EUR -18.9 million (-19.1) and the reported operating result was EUR -22.1 million (-20.8).

REAL ESTATE

| Real Estate | 4-6/2019 | 4-6/2018 | 1-6/2019 | 1-6/2018 | 1-12/2018 |
|---|-------------|----------|-------------|----------|-----------|
| Revenue, EUR mill. | 10.5 | 17.5 | 22.3 | 35.4 | 69.0 |
| Net operating income, Stockmann-owned properties, EUR mill. | 7.9 | 12.9 | 16.3 | 26.2 | 50.7 |
| Operating result, EUR mill. | 2.3 | 14.3 | 3.9 | 21.9 | 23.2 |
| Adjusted operating result, EUR mill. | 2.3 | 7.4 | 4.7 | 14.9 | 28.2 |
| Capital expenditure EUR mill. | 0.7 | 1.6 | 0.9 | 2.5 | 3.6 |

April-June 2019

Real Estate's revenue for the quarter was EUR 10.5 million (17.5). The revenue declined mostly due to the divestment of the Book House property in Helsinki in May 2018 and the Nevsky Centre property in St Petersburg in January 2019.

The net operating income of Stockmann-owned properties was EUR 7.9 million (12.9). The decline was due to the divestment of the properties.

The operating result for the quarter was EUR 2.3 million (adjusted 7.4, or 2.8 excluding Nevsky Centre; reported 14.3, including a capital gain of EUR 7.0 million).

January-June 2019

Real Estate's revenue for the period was EUR 22.3 million (35.4). The revenue declined mostly due to the divestment of the Book House and Nevsky Centre properties.

The net operating income of Stockmann-owned properties was EUR 16.3 million (26.2).

The adjusted operating result for the period was EUR 4.7 million (14.9, or 5.9 excluding Nevsky Centre). Reported operating profit was EUR 3.9 million (21.9), including a value adjustment of EUR -0.8 million (7.0).

Properties

On 1 January 2019, the fair value of Stockmann's three department store properties amounted to EUR 681.0 million. The weighted average market yield requirement used in the fair value calculation was 4.8% (4.6). During the year, the depreciation of the properties is deducted from the fair value. At the end of the second quarter, the revalued amount of the properties was EUR 671.1 million.

The department store properties have a gross leasable area (GLA) of 88 000 m², of which Stockmann Retail was using 73% at the end of June 2019. The occupancy rate of the properties remained at a high level, at 98.0% (99.4), with an average monthly rent of EUR 37.59 per square metre (37.61) in April-June. During the second quarter, Workland opened a coworking space in the Tallinn property.

The Nevsky Centre property in St Petersburg was sold to PPF Real Estate in January 2019 with a transaction price of EUR 171.0 million.

| Property | Gross leasable area. m ² 30.6.2019 | Occupancy rate. % 30.6.2019 | Usage by Stockmann Retail. % 30.6.2019 |
|-----------------------------------|---|-----------------------------------|--|
| Helsinki flagship building | 51 000 | 98.9 | 66 |
| Tallinn department store building | 22 000 | 94.2 | 82 |
| Riga department store building | 15 000 | 100.0 | 86 |
| Total | 88 000 | 98.0 | 73 |

PERSONNEL

The Group's average number of personnel in continuing operations was 6 961 (7 144) in the period. In terms of full-time equivalents, the average number of employees was 4 924 (5 245).

At the end of June, the Group had 7 101 employees (7 304), of whom 2 092 (2 230) were working in Finland. The number of employees working outside Finland was 5 009 (5 074), which represented 71% (69) of the total.

The Group's wages and salaries amounted to EUR 82.6 million in the period, compared with EUR 86.6 million in 2018. The total employee benefits expenses were EUR 107.8 million (112.4), which is equivalent to 24.0% (23.3) of revenue.

Codetermination negotiations about Stockmann's new organisation were carried out in Finland during the second quarter. As a result of the negotiations, approximately 150 positions were ended. The number of sales people in the department stores was not reduced. Employee benefits include a provision of EUR 3.3 million related to the organisational restructuring measures in the second quarter.

CHANGES IN MANAGEMENT

CEO Lauri Veijalainen resigned from Stockmann and left the company on 31 March 2019. Lauri Ratia, Chairman of the Board of Directors, is acting as Executive Chairman for the time being.

Following the changes in the Stockmann Group's structure, the Group's Management Team consists of the following persons as of 1 July 2019:

- Lauri Ratia, Executive Chairman
- Susanne Ehnbåge, CEO of Lindex, responsible for the Lindex business division
- Tove Westermarck, Chief Operating Officer, responsible for the Stockmann business division
- Kai Laitinen, Chief Financial Officer
- Jukka Naulapää, Chief Legal Officer and secretary to the Board of Directors.

Both Stockmann and Lindex have their own operative management teams. Mikko Huttunen, Nora Malin, Maiju Niskanen, Outi Nylund, Anna Salmi and Elena Stenholm who were members of the Group's Management Team continue in the management team for the Stockmann division. (Stock Exchange Release 11 June 2019).

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 quarter. 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 166.6 million (286.8) at the end of June.

The price of a Series A share was EUR 2.45 at the end of June, compared with EUR 2.00 at the end of 2018, while the price of a Series B share was EUR 2.21, compared with EUR 1.92 at the end of 2018.

A total of 0.7 million (0.7) Series A shares and 6.9 million (6.7) Series B shares were traded on Nasdaq Helsinki during the period. This corresponds to 2.1% (2.3) of the average number of Series A shares and 16.6% (16.1) 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 44 310 shareholders, compared with 45 505 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 2019.

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 approximately 80% 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 risks related to the fulfilment of human rights, good working conditions, and environmental and other requirements set out in Stockmann's Code of Conduct and other policies. Responsible management of the supply chain and 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 and the US dollar 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.

EVENTS AFTER THE REPORTING PERIOD

Stockmann plc's Board of Directors has appointed Jari Latvanen as Stockmann's new Chief Executive Officer as of 19 August 2019. Jari Latvanen (born 1964), MBA, has previously served as President and CEO of HKScan, Vice President of Stora Enso, CEO of Findus Nordic, and has held several management positions at Nestlé.

Pekka Vähähyyppä (born 1960), M.Sc (Econ.), EMBA has been appointed as Chief Financial Officer and as a member of the Group's Management Team as of 19 August 2019. He has most recently served as the CFO of Finnair. Before that he worked as the CFO of Stockmann from 2000 to 2015.

Stockmann's current CFO Kai Laitinen has decided to leave Stockmann in order to assume a new position outside the company.

OUTLOOK FOR 2019

In 2019, the retail growth is estimated to decline somewhat due to economic slowdown in Finland, but modest growth is expected to continue in Sweden (source: Federation of Finnish Commerce, HUI Research). In the Baltic countries, the outlook for the retail trade is expected to be better than that for the Stockmann Group's other main market areas (source: OECD).

Purchasing behaviour is changing due to digitalisation and increasing competition. E-commerce is expected to grow steadily, but the development in brick and mortar continues to be challenging. The retail industry is facing major structural challenges through digitalisation and further globalisation.

Stockmann has reworked its strategy with the aim of creating a sustainable business model that enables profitable growth and strengthens the company's position and competitiveness. The aim is a cost reduction of at least EUR 40 million by spring 2021, of which a major part would be visible as soon as in the 2020 results.

Reported EBITDA and the operating profit will also improve due to a change in accounting principles when the new IFRS 16 Leases standard was taken into use as of 1 January 2019. The Group applies the standard using the modified retrospective approach, which means that the comparative figures for 2018 are not restated.

Capital expenditure for 2019 is estimated to be approximately EUR 35 million.

GUIDANCE FOR 2019

Stockmann expects the Group's adjusted operating profit, excluding Nevsky Centre but including the impact of IFRS 16, to be on a par with 2018.

Helsinki, Finland, 9 August 2019

STOCKMANN plc
Board of Directors

CONDENSED FINANCIAL STATEMENTS

This Half year financial report has been prepared in compliance with IAS 34. The figures are unaudited.

CONDENSED CONSOLIDATED INCOME STATEMENT

| EUR mill. | 1.1.–30.6.2019 | 1.1.–30.6.2018 | 1.1.–31.12.2018 |
|--|----------------|----------------|-----------------|
| Continuing operations | | | |
| REVENUE | 449.5 | 481.8 | 1 018.8 |
| Other operating income | 0.0 | 7.0 | 7.0 |
| Fair value changes on investment properties | | -0.1 | -0.3 |
| Materials and consumables | -197.2 | -207.5 | -438.7 |
| Wages, salaries and employee benefit expenses | -107.8 | -112.4 | -222.0 |
| Depreciation, amortisation and impairment losses | -70.7 | -28.1 | -80.9 |
| Other operating expenses | -84.9 | -138.0 | -288.9 |
| Total expenses | -460.7 | -486.0 | -1 030.5 |
| OPERATING PROFIT/LOSS | -11.2 | 2.7 | -5.0 |
| Financial income | 0.5 | 0.3 | 0.6 |
| Financial expenses | -27.9 | -17.8 | -35.3 |
| Total financial income and expenses | -27.3 | -17.5 | -34.6 |
| PROFIT/LOSS BEFORE TAX | -38.5 | -14.8 | -39.6 |
| Income taxes | 0.6 | -8.1 | -4.2 |
| PROFIT/LOSS FROM CONTINUING OPERATIONS | -37.9 | -22.9 | -43.7 |
| Profit/loss from discontinued operations | | | -1.4 |
| NET PROFIT/LOSS FOR THE PERIOD | -37.9 | -22.9 | -45.2 |
| Profit/loss for the period attributable to: | | | |
| Equity holders of the parent company | -37.9 | -22.9 | -45.2 |
| Earnings per share, EUR: | | | |
| From continuing operations (undiluted and diluted) | -0.56 | -0.35 | -0.68 |
| From discontinued operations (undiluted and diluted) | | | -0.02 |
| From the period result (undiluted and diluted) | -0.56 | -0.35 | -0.70 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| EUR mill. | 1.1.–30.6.2019 | 1.1.–30.6.2018 | 1.1.–31.12.2018 |
|---|----------------|----------------|-----------------|
| PROFIT/LOSS FOR THE PERIOD | -37.9 | -22.9 | -45.2 |
| Other comprehensive income: | | | |
| Items that will not be reclassified to profit or loss | | | |
| Changes in revaluation surplus (IAS 16), before tax | | | 8.7 |
| Changes in revaluation surplus (IAS 16), tax | | | -1.7 |
| Changes in revaluation surplus (IAS 16), net of tax | | | 6.9 |
| Items that may be subsequently reclassified to profit and loss | | | |
| Exchange differences on translating foreign operations, before tax | -8.5 | 1.9 | 2.8 |
| Exchange differences on translating foreign operations, net of tax | -8.5 | 1.9 | 2.8 |
| Cash flow hedges, before tax | -1.0 | 1.9 | 0.6 |
| Cash flow hedges, tax | 0.2 | -0.4 | -0.1 |
| Cash flow hedges, net of tax | -0.8 | 1.5 | 0.5 |
| Other comprehensive income for the period, net of tax | -9.3 | 3.5 | 10.3 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | -47.2 | -19.4 | -34.9 |
| Total comprehensive income attributable to: | | | |
| Equity holders of the parent company, continuing operations | -47.2 | -19.4 | -33.5 |
| Equity holders of the parent company, discontinued operations | | | -1.4 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| EUR mill. | 30.6.2019 | 30.6.2018 | 31.12.2018 |
|--|----------------|----------------|----------------|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Intangible assets | | | |
| Goodwill | 501.0 | 530.8 | 516.1 |
| Trademark | 86.1 | 87.0 | 88.7 |
| Intangible rights | 40.5 | 37.2 | 39.6 |
| Other intangible assets | 2.0 | 2.5 | 2.3 |
| Advance payments and construction in progress | 2.4 | 1.0 | 0.9 |
| Intangible assets, total | 631.9 | 658.5 | 647.5 |
| Property, plant and equipment | | | |
| Land and water | 102.5 | 103.9 | 102.5 |
| Buildings and constructions | 568.6 | 577.9 | 578.5 |
| Machinery and equipment | 58.7 | 69.9 | 64.1 |
| Modification and renovation expenses for leased premises | 4.7 | 5.2 | 5.1 |
| Right-of-use assets | 505.3 | | |
| Advance payments and construction in progress | 1.8 | 1.1 | 0.8 |
| Property, plant and equipment, total | 1 241.7 | 758.0 | 751.1 |
| Investment properties | 0.5 | 0.5 | 0.5 |
| Non-current receivables | 0.3 | 2.7 | 0.6 |
| Non-current lease receivables | 16.3 | | |
| Other investments | 0.3 | 0.3 | 0.3 |
| Deferred tax assets | 16.2 | 16.0 | 14.7 |
| NON-CURRENT ASSETS, TOTAL | 1 907.3 | 1 435.9 | 1 414.7 |
| CURRENT ASSETS | | | |
| Inventories | 149.3 | 149.6 | 141.9 |
| Current receivables | | | |
| Interest-bearing receivables | 0.1 | 1.5 | 0.8 |
| Lease receivables | 1.2 | | |
| Income tax receivables | 4.0 | 8.4 | 7.8 |
| Non-interest-bearing receivables | 44.2 | 77.1 | 43.7 |
| Current receivables, total | 49.5 | 87.0 | 52.2 |
| Cash and cash equivalents | 15.7 | 24.9 | 43.4 |
| CURRENT ASSETS, TOTAL | 214.6 | 261.5 | 237.6 |
| ASSETS CLASSIFIED AS HELD FOR SALE | | 184.2 | 175.7 |
| ASSETS, TOTAL | 2 121.8 | 1 881.6 | 1 827.9 |
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| Share capital | 144.1 | 144.1 | 144.1 |
| Share premium fund | 186.1 | 186.1 | 186.1 |
| Revaluation surplus | 333.6 | 360.2 | 358.2 |
| Invested unrestricted equity fund | 250.4 | 250.4 | 250.4 |
| Other funds | 43.4 | 45.3 | 44.2 |
| Translation reserve | -20.1 | -12.5 | -11.6 |
| Retained earnings | -231.9 | -198.7 | -212.1 |
| Hybrid bond | 84.3 | 84.3 | 84.3 |
| Equity attributable to equity holders of the parent company | 789.9 | 859.1 | 843.7 |
| EQUITY, TOTAL | 789.9 | 859.1 | 843.7 |
| NON-CURRENT LIABILITIES | | | |
| Deferred tax liabilities | 127.5 | 128.3 | 128.3 |
| Non-current interest-bearing financing liabilities | 413.2 | 439.4 | 359.9 |
| Non-current lease liabilities | 455.4 | | |
| Non-current non-interest-bearing liabilities and provisions | 3.3 | 19.8 | 17.5 |
| NON-CURRENT LIABILITIES, TOTAL | 999.4 | 587.5 | 505.7 |
| CURRENT LIABILITIES | | | |
| Current interest-bearing financing liabilities | 34.3 | 211.0 | 227.9 |
| Current lease liabilities | 91.5 | | |
| Current non-interest-bearing liabilities | | | |
| Trade payables and other current liabilities | 181.8 | 160.3 | 190.1 |
| Income tax liabilities | 20.0 | 19.7 | 20.9 |
| Current provisions | 4.9 | 5.3 | 5.0 |
| Current non-interest-bearing liabilities, total | 206.7 | 185.3 | 215.9 |
| CURRENT LIABILITIES, TOTAL | 332.5 | 396.3 | 443.8 |
| LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE | | 38.7 | 34.7 |
| LIABILITIES, TOTAL | 1 331.9 | 1 022.5 | 984.3 |
| EQUITY AND LIABILITIES, TOTAL | 2 121.8 | 1 881.6 | 1 827.9 |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

| EUR mill. | 1.1.–30.6.2019 | 1.1.–30.6.2018 | 1.1.–31.12.2018 |
|--|----------------|----------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit/loss for the period | -37.9 | -22.9 | -45.2 |
| Adjustments for: | | | |
| Depreciation, amortisation and impairment losses | 70.7 | 28.1 | 80.9 |
| Gains (-) and losses (+) of disposals of fixed assets and other non-current assets | 0.9 | -6.3 | 5.6 |
| Interest and other financial expenses | 27.9 | 17.8 | 35.3 |
| Interest income | -0.5 | -0.3 | -0.6 |
| Income taxes | -0.6 | 8.1 | 4.2 |
| Other adjustments | 2.6 | -0.8 | -3.0 |
| Working capital changes: | | | |
| Increase (-) / decrease (+) in inventories | -9.9 | 7.0 | 16.3 |
| Increase (-) / decrease (+) in trade and other current receivables | 2.0 | 3.9 | 11.9 |
| Increase (+) / decrease (-) in current liabilities | -2.4 | -10.3 | 10.5 |
| Interest expenses paid | -27.1 | -11.3 | -24.4 |
| Interest received from operating activities | 0.5 | 0.2 | 0.6 |
| Other financing items from operating activities | -1.1 | | |
| Income taxes paid from operating activities | 2.8 | -9.2 | -9.2 |
| Net cash from operating activities | 27.9 | 3.9 | 82.9 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of tangible and intangible assets | -16.4 | -15.6 | -28.1 |
| Proceeds from sale of tangible and intangible assets | 139.8 | 123.8 | 122.5 |
| Exchange rate gain on the hedge of a net investment and internal loan*) | 7.4 | 13.9 | 31.6 |
| Net cash used in investing activities | 130.7 | 122.1 | 126.0 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from current liabilities | 32.4 | 61.8 | 79.9 |
| Repayment of current liabilities | -226.9 | -249.1 | -249.1 |
| Proceeds from non-current liabilities | 89.0 | 168.0 | 215.0 |
| Repayment of non-current liabilities | -37.4 | -86.4 | -213.8 |
| Payment of lease liabilities | -37.6 | | |
| Interest on hybrid bond | -6.6 | -6.6 | -6.6 |
| Net cash used in financing activities | -187.1 | -112.2 | -174.6 |
| NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS | -28.4 | 13.8 | 34.3 |
| Cash and cash equivalents at the beginning of the period | 43.4 | 21.0 | 21.0 |
| Cheque account with overdraft facility | -0.4 | -12.2 | -12.2 |
| Cash and cash equivalents at the beginning of the period | 43.0 | 8.8 | 8.8 |
| Net increase/decrease in cash and cash equivalents | -28.4 | 13.8 | 34.3 |
| Effects of exchange rate fluctuations on cash held | -0.6 | -0.4 | -0.1 |
| Cash and cash equivalents at the end of the period | 15.7 | 24.9 | 43.4 |
| Cheque account with overdraft facility | -1.8 | -2.6 | -0.4 |
| Cash and cash equivalents at the end of the period | 14.0 | 22.3 | 43.0 |

*Realised foreign exchange rate gain on the hedge of a net investment in a foreign operation and internal loan

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| EUR mill. | Share capital | Share premium 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 |
| Other changes in equity total | | | -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 |

| EUR mill. | Share capital | Share premium 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 | | | | | | | | -45.2 | | -45.2 |
| Changes in revaluation surplus (IAS 16) | | | 6.9 | | | | | | | 6.9 |
| Exchange differences on translating foreign operations | | | | | | | 2.8 | | | 2.8 |
| Cash flow hedges | | | | 0.5 | | | | | | 0.5 |
| Total comprehensive income for the period, net of tax | | | 6.9 | 0.5 | | | 2.8 | -45.2 | | -34.9 |
| Disposal of revalued assets | | | -58.4 | | | | | 58.4 | | |
| Interest paid on hybrid bond | | | | | | | | -6.6 | | -6.6 |
| Other changes | | | -8.9 | | | | | 8.9 | | |
| Other changes in equity total | | | -67.3 | | | | | 60.7 | | -6.6 |
| EQUITY 31.12.2018 | 144.1 | 186.1 | 358.2 | 0.4 | 250.4 | 43.8 | -11.6 | -212.1 | 84.3 | 843.7 |

| EUR mill. | Share capital | Share premium fund | Revaluation surplus | Hedging reserve | Reserve for un-restricted equity | Other reserves | Translation differences | Retained earnings | Hybrid bond | Total |
|--|---------------|--------------------|---------------------|-----------------|----------------------------------|----------------|-------------------------|-------------------|-------------|--------------|
| EQUITY 1.1.2019 | 144.1 | 186.1 | 358.2 | 0.4 | 250.4 | 43.8 | -11.6 | -212.1 | 84.3 | 843.7 |
| Profit/loss for the period | | | | | | | | -37.9 | | -37.9 |
| Exchange differences on translating foreign operations | | | | | | | -8.5 | | | -8.5 |
| Cash flow hedges | | | | -0.8 | | | | | | -0.8 |
| Total comprehensive income for the period, net of tax | | | | -0.8 | | | -8.5 | -37.9 | | -47.2 |
| Disposal of revalued assets | | | -24.7 | | | | | 24.7 | | |
| Interest paid on hybrid bond | | | | | | | | -6.6 | | -6.6 |
| Other changes | | | | | | | | 0.0 | | 0.0 |
| Other changes in equity total | | | -24.7 | | | | | 18.1 | | -6.6 |
| EQUITY 30.6.2019 | 144.1 | 186.1 | 333.6 | -0.4 | 250.4 | 43.8 | -20.1 | -231.9 | 84.3 | 789.9 |

NOTES TO THE FINANCIAL STATEMENTS, CONDENSED

CHANGES IN ACCOUNTING PRINCIPLES

As from 1 January 2019, Stockmann Group has applied IFRS 16 Leases standard.

IFRS 16 replaces the standard IAS 17 and the related interpretations. The IFRS 16 requires lessees to recognise leases on the balance sheet as a lease liability and as a right-of-use asset. The Stockmann Group applies the standard using the modified retrospective approach, which means that the comparative figures for the year preceding adoption are not restated. Stockmann uses the exemption provided by IFRS 16 not to recognize in 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 of low value. The lease term is determined as the non-cancellable period of a lease, together with periods covered by an option to extend the lease if it is reasonably certain to exercise that option. In the Stockmann Group Lindex uses a scoring system based on the operating profit to determine if prolongation of original rental period is included in the lease term. Operating profit is measured as a percentage compared to turnover and the higher the percentage the more likely the option to extend will be exercised. Lessor accounting remains substantially unchanged from the IAS 17.

IFRS 16 has a significant impact on the Group's assets and liabilities. The right-of-use asset and lease liability in the Group is composed of leased business premises, warehouses, cars, and other machinery and equipment. At the time the standard is initially applied, the lease liability is recognised at the present value of the minimum lease payments payable on the basis of leases, discounted using the incremental borrowing rate. The average weighted discounting rate at the time the standard initially applied was 5.2 per cent in the Stockmann Group. The amount of lease liability is included in the acquisition cost of right-of-use assets at the date of initial application. Right-of-use assets transferred to the lessee under a sublease agreement and classified as a finance lease are derecognised and presented as a net investment in a sublease in the balance sheet. At the time the standard is initially applied on 1 January 2019 the lease liability in the Group was amount to EUR 552.7 million

The reporting of leases in accordance with the IFRS 16 has also a significant impact on the consolidated income statement. The lessee doesn't recognise any lease payment as a cost, but instead depreciation or a possible impairment loss for the period is recognised through profit or loss. The interest on lease liability, which is calculated using the discount rate at the lease commencement date, is recognised as a financial expense; and variable lease payments that are not included in the lease liability is recognised as lease expenses. Lease income from a sublease classified as a finance lease are not included in the profit or loss, instead the interest income from a net investment in a sublease is included in financial items. Stockmann Group's EBITDA increased EUR 51.0 million, the operating result increased EUR 7.6 million and financial expenses increased EUR 13.5 million whereas the net result for the first half year of the financial period 2019 decreased EUR 4.7 million as a result of adopting of the standard.

The adoption of IFRS 16 has also impact on the presentation of net cash flows from operating and financing activities, as the lease payments, earlier affecting operating activities only, are under the new standard presented as the amortisation of lease liabilities in cash flows from financing activities and as interest expenses in operating activities. The Group's net cash flows from operating activities increased by EUR 37.6 million and the cash flows from financing activities decreased accordingly in the first half year of the financial period 2019 as a result of adopting of the standard. The IFRS 16 has also a significant impact on certain key figures: with the standard the Group's equity ratio at 31 December 2018 would have been 35.4 per cent (reported 46.2%) and the net gearing 129.9 per cent (reported 64.5%).

The segment information presented by the Stockmann Group is based on the management's internal reporting, whereby the highest level of operational decision-making and the other Group's management examine the profitability of the operating segments. The impact of the IFRS 16 is not allocated to the operating segments in the management's internal reporting and thus in the Group's segment reporting the IFRS 16 impact is presented as a reconciling item in a Group level.

The lease liability as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

| | |
|---|--------------|
| EUR mill. | |
| Operating lease commitment at 31 December 2018 as disclosed in the Group's financial statements | 583.6 |
| Discounting using the incremental borrowing rate | -105.9 |
| Extension options reasonably certain to be exercised | 151.9 |
| Other fixed costs | -29.4 |
| Leases not yet commenced to which the Group is committed | -22.1 |
| Short-term leases | -12.6 |
| Variable lease payments | -6.1 |
| Other differences | -6.7 |
| Lease liability recognised at 1 January 2019 | 552.7 |

GROUP'S OPERATING SEGMENTS

| | | | | | |
|--|------------------|------------------|-----------------------|-----------------------|------------------------|
| Revenue, EUR mill. | Q2 2019 | Q2 2018 | 1.1.–30.6.2019 | 1.1.–30.6.2018 | 1.1.–31.12.2018 |
| Lindex | 154.0 | 163.8 | 268.5 | 278.6 | 589.9 |
| Stockmann Retail | 84.9 | 104.7 | 172.9 | 181.0 | 386.2 |
| Real Estate | 10.5 | 17.5 | 22.3 | 35.4 | 69.0 |
| Unallocated | 0.1 | 0.1 | 0.1 | 0.2 | 0.4 |
| IFRS 16 impact | -0.5 | | -1.1 | | |
| Eliminations | -6.6 | -6.7 | -13.2 | -13.4 | -26.6 |
| Group total | 242.3 | 279.4 | 449.5 | 481.8 | 1 018.8 |
| Reported operating profit/loss, EUR mill. | Q2 2019 | Q2 2018 | 1.1.–30.6.2019 | 1.1.–30.6.2018 | 1.1.–31.12.2018 |
| Lindex | 18.8 | 19.6 | 6.1 | 3.4 | 28.9 |
| Stockmann Retail | -10.6 | -3.6 | -22.1 | -20.8 | -27.5 |
| Real Estate | 2.3 | 14.3 | 3.9 | 21.9 | 23.2 |
| Unallocated | -4.0 | -0.8 | -6.8 | -1.7 | -4.5 |
| Goodwill impairment | | | | | -25.0 |
| IFRS 16 impact | 3.8 | | 7.6 | | |
| Group total | 10.2 | 29.6 | -11.2 | 2.7 | -5.0 |
| Financial income excluding IFRS 16 interest income | 0.0 | 0.1 | 0.1 | 0.3 | 0.6 |
| Interest income from IFRS 16 contracts | 0.2 | | 0.5 | | |
| Financial expenses excluding IFRS 16 interest expenses | -6.8 | -8.9 | -13.9 | -17.8 | -35.3 |
| Interest expenses from IFRS 16 contracts | -7.0 | | -13.9 | | |
| Consolidated profit/loss before taxes | -3.3 | 20.8 | -38.5 | -14.8 | -39.6 |
| Adjustments to Operating profit/loss, EUR mill. | Q2 2019 | Q2 2018 | 1.1.–30.6.2019 | 1.1.–30.6.2018 | 1.1.–31.12.2018 |
| Lindex | | -1.2 | | -1.5 | -1.5 |
| Stockmann Retail | -3.2 | 0.0 | -3.2 | -1.7 | -1.8 |
| Real Estate | 0.0 | 7.0 | -0.8 | 7.0 | -5.0 |
| Unallocated | -2.8 | | -2.8 | | |
| Goodwill impairment | | | | | -25.0 |
| Group total | -6.0 | 5.7 | -6.8 | 3.7 | -33.4 |
| Adjusted Operating profit/loss, EUR mill. | Q2 2019 | Q2 2018 | 1.1.–30.6.2019 | 1.1.–30.6.2018 | 1.1.–31.12.2018 |
| Lindex | 18.8 | 20.8 | 6.1 | 4.9 | 30.4 |
| Stockmann Retail | -7.4 | -3.6 | -18.9 | -19.1 | -25.7 |
| Real Estate | 2.3 | 7.4 | 4.7 | 14.9 | 28.2 |
| Unallocated | -1.2 | -0.8 | -4.0 | -1.7 | -4.5 |
| IFRS 16 impact | 3.8 | | 7.6 | | |
| Group total | 16.2 | 23.8 | -4.4 | -1.0 | 28.4 |
| Depreciation, amortisation and impairment losses, EUR mill. | Q2 2019 | Q2 2018 | 1.1.–30.6.2019 | 1.1.–30.6.2018 | 1.1.–31.12.2018 |
| Lindex | 4.8 | 5.0 | 9.6 | 10.0 | 19.7 |
| Stockmann Retail | 3.0 | 3.2 | 6.1 | 6.6 | 13.2 |
| Real Estate | 5.3 | 5.3 | 10.5 | 10.6 | 21.3 |
| Unallocated | 0.6 | 0.4 | 1.1 | 0.8 | 1.7 |
| Goodwill impairment | | | | | 25.0 |
| IFRS 16 impact | 21.7 | | 43.4 | | |
| Group total | 35.3 | 13.9 | 70.7 | 28.1 | 80.9 |
| Capital expenditure, EUR mill. | Q2 2019 | Q2 2018 | 1.1.–30.6.2019 | 1.1.–30.6.2018 | 1.1.–31.12.2018 |
| Lindex | 5.5 | 4.1 | 9.4 | 10.3 | 20.1 |
| Stockmann Retail | 2.2 | 1.1 | 3.8 | 1.4 | 3.2 |
| Real Estate | 0.7 | 1.6 | 0.9 | 2.5 | 3.6 |
| Unallocated | 0.9 | 0.6 | 1.6 | 0.9 | 2.5 |
| Group total | 9.3 | 7.4 | 15.8 | 15.1 | 29.3 |
| IFRS 16 additions | 18.3 | | 40.2 | | |
| Total | 27.5 | 7.4 | 56.0 | 15.1 | 29.3 |
| Assets, EUR mill. | 30.6.2019 | 30.6.2018 | 31.12.2018 | | |
| Lindex | 773.9 | 784.5 | 802.6 | | |
| Stockmann Retail | 130.7 | 171.2 | 138.0 | | |
| Real Estate | 668.5 | 684.8 | 678.2 | | |
| Unallocated | 24.4 | 56.9 | 33.4 | | |
| Assets classified as held for sale | | 184.2 | 175.7 | | |
| IFRS 16 impact | 524.4 | | | | |
| Group total | 2 121.8 | 1 881.6 | 1 827.9 | | |
| IFRS 16 impact on revenue, EUR mill. | Q2 2019 | Q2 2018 | 1.1.–30.6.2019 | 1.1.–30.6.2018 | 1.1.–31.12.2018 |
| Lindex | | | | | |
| Stockmann Retail | -0.5 | | -1.1 | | |
| Total | -0.5 | | -1.1 | | |
| IFRS 16 impact on operating profit/loss, EUR mill. | Q2 2019 | Q2 2018 | 1.1.–30.6.2019 | 1.1.–30.6.2018 | 1.1.–31.12.2018 |
| Lindex | 1.3 | | 3.0 | | |
| Stockmann Retail | 2.5 | | 4.7 | | |
| Total | 3.8 | | 7.6 | | |
| IFRS 16 impact on depreciation, amortisation and impairment losses, EUR mill. | Q2 2019 | Q2 2018 | 1.1.–30.6.2019 | 1.1.–30.6.2018 | 1.1.–31.12.2018 |
| Lindex | 16.4 | | 32.5 | | |
| Stockmann Retail | 5.3 | | 10.9 | | |
| Total | 21.7 | | 43.4 | | |
| IFRS 16 Lease liabilities, EUR mill. | 30.6.2019 | 30.6.2018 | 31.12.2018 | | |
| Lindex | 303.7 | | | | |
| Stockmann Retail | 243.2 | | | | |
| Total | 546.9 | | | | |

INFORMATION ON MARKET AREAS

| Revenue, EUR mill. | Q2 2019 | Q2 2018 | 1.1.–30.6.2019 | 1.1.–30.6.2018 | 1.1.–31.12.2018 |
|--|--------------|---------|----------------|----------------|-----------------|
| Finland | 84.7 | 106.0 | 171.8 | 181.8 | 386.2 |
| Sweden*) and Norway | 118.3 | 124.5 | 205.8 | 211.6 | 449.1 |
| Baltic countries, Russia and other countries | 39.7 | 48.9 | 73.0 | 88.4 | 183.5 |
| Market areas total | 242.8 | 279.4 | 450.6 | 481.8 | 1 018.8 |
| IFRS 16/subleases affecting rent income | -0.5 | | -1.1 | | |
| Group total | 242.3 | 279.4 | 449.5 | 481.8 | 1 018.8 |
| Finland % | 34.9% | 37.9% | 38.1% | 37.7% | 37.9% |
| International operations % | 65.1% | 62.1% | 61.9% | 62.3% | 62.1% |

| Operating profit/loss, EUR mill. | Q2 2019 | Q2 2018 | 1.1.–30.6.2019 | 1.1.–30.6.2018 | 1.1.–31.12.2018 |
|--|-------------|---------|----------------|----------------|-----------------|
| Finland | -12.2 | 5.7 | -24.2 | -11.4 | -27.0 |
| Sweden*) and Norway | 18.1 | 17.3 | 5.1 | 7.2 | 26.1 |
| Baltic countries, Russia and other countries | 0.5 | 6.6 | 0.3 | 6.9 | 20.9 |
| Market areas total | 6.4 | 29.6 | -18.8 | 2.7 | 20.0 |
| Goodwill impairment | | | | | -25.0 |
| IFRS 16 impact | 3.8 | | 7.6 | | |
| Group total | 10.2 | 29.6 | -11.2 | 2.7 | -5.0 |

| Non-current assets, EUR mill. | 30.6.2019 | 30.6.2018 | 31.12.2018 | | |
|--|----------------|-----------|----------------|--|--|
| Finland | 633.6 | 680.7 | 642.9 | | |
| Sweden and Norway | 624.5 | 629.2 | 642.5 | | |
| Baltic countries, Russia and other countries | 111.9 | 293.0 | 287.3 | | |
| Market areas total | 1 370.0 | 1 602.9 | 1 572.8 | | |
| IFRS 16 impact | 522.6 | | | | |
| Group total | 1 892.6 | 1 602.9 | 1 572.8 | | |
| Finland % | 46.2 % | 42.5% | 40.9% | | |
| International operations % | 53.8% | 57.5% | 59.1% | | |

*) Includes franchising income

ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

| EUR mill. | 30.6.2019 | 30.6.2018 | 31.12.2018 |
|--|-----------|-----------|------------|
| Discontinued operations | | | |
| Profit/loss for the financial period from discontinued operations | | | |
| Income | | | 0.0 |
| Expenses | | | -1.5 |
| Profit/loss before and after taxes | | | -1.4 |
| Cash flows from discontinued operations | | | |
| Cash flow from investments | | 15.5 | 14.3 |
| Cash flow total | | 15.5 | 14.3 |
| Other assets classified as held for sale and the relating liabilities | | | |
| Intangible assets and property, plant and equipment | | 182.9 | 172.8 |
| Other receivables | | 1.2 | 0.5 |
| Cash and cash equivalents | | 0.0 | 2.4 |
| Other liabilities | | 38.7 | 34.6 |
| Net assets | | 145.5 | 141.1 |

KEY FIGURES OF THE GROUP

| | 30.6.2019 | 30.6.2018 | 31.12.2018 |
|---|------------------|-----------|------------|
| Equity ratio, % | 37.2 | 45.7 | 46.2 |
| Net gearing, % | 121.7 | 72.6 | 64.4 |
| Cash flow from operating activities per share, year-to-date, EUR | 0.39 | 0.25 | 1.15 |
| Interest-bearing net debt, EUR mill. | 961.0 | 623.3 | 543.3 |
| 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. | 166.6 | 286.8 | 140.8 |
| Operating profit/loss, % of revenue | -2.5 | 0.6 | -0.5 |
| Equity per share, EUR | 10.96 | 11.92 | 11.71 |
| Return on equity, rolling 12 months, % *) | -6.6 | -20.9 | -5.2 |
| Return on capital employed, rolling 12 months, % *) | -1.0 | -8.3 | -0.4 |
| Average number of employees, converted to full-time equivalents | 4 924 | 5 245 | 5 299 |
| Capital expenditure, year-to-date, EUR mill. | 15.8 | 15.1 | 29.3 |

*) Excluding IFRS 16 impact

DEFINITIONS OF KEY FIGURES**Performance measures according to IFRS**

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

Alternative performance measures

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

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

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

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

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

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

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

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

*) Calculated without the IFRS 16 impact since the comparison figures have not been restated

EXCHANGE RATES OF EURO

| Closing rate for the period | 30.6.2019 | 30.6.2018 | 31.12.2018 |
|------------------------------------|-----------------------|----------------|-----------------|
| NOK | 9.6938 | 9.5115 | 9.9483 |
| SEK | 10.5633 | 10.4530 | 10.2548 |
| Average rate for the period | 1.1.–30.6.2019 | 1.1.–30.6.2018 | 1.1.–31.12.2018 |
| NOK | 9.7294 | 9.5928 | 9.6002 |
| SEK | 10.5187 | 10.1536 | 10.2584 |

INFORMATION PER QUARTER

Consolidated income statement per quarter

| EUR mill. | Q2 2019 | Q1 2019 | Q4 2018 | Q3 2018 | Q2 2018 | Q1 2018 | Q4 2017 | Q3 2017 |
|--|--------------|---------|---------|---------|---------|---------|---------|---------|
| Continuing operations | | | | | | | | |
| Revenue | 242.3 | 207.2 | 304.5 | 232.5 | 279.4 | 202.4 | 315.7 | 242.0 |
| Other operating income | 0.0 | 0.0 | 0.0 | 0.0 | 7.0 | 0.0 | 0.0 | 0.0 |
| Fair value changes on investment properties | | | 0.0 | -0.2 | 0.0 | 0.0 | 3.9 | -0.2 |
| Materials and consumables | -100.3 | -96.9 | -135.3 | -95.9 | -116.7 | -90.8 | -136.5 | -106.0 |
| Wages, salaries and employee benefit expenses | -54.3 | -53.5 | -58.3 | -51.3 | -55.9 | -56.5 | -61.5 | -57.2 |
| Depreciation, amortisation and impairment losses | -35.3 | -35.4 | -38.9 | -13.9 | -13.9 | -14.2 | -20.6 | -165.5 |
| Other operating expenses | -42.1 | -42.8 | -74.7 | -76.2 | -70.3 | -67.7 | -87.5 | -64.6 |
| Operating profit/loss | 10.2 | -21.4 | -2.8 | -4.9 | 29.6 | -26.9 | 13.6 | -151.4 |
| Financial income | 0.3 | 0.3 | 0.3 | 0.1 | 0.1 | 0.2 | 0.3 | 0.1 |
| Financial expenses | -13.8 | -14.1 | -9.5 | -7.9 | -8.9 | -8.9 | -11.3 | -4.9 |
| Total financial income and expenses | -13.6 | -13.8 | -9.2 | -7.8 | -8.8 | -8.7 | -10.9 | -4.8 |
| Profit/loss before tax | -3.3 | -35.2 | -12.0 | -12.7 | 20.8 | -35.6 | 2.6 | -156.2 |
| Income taxes | -2.2 | 2.8 | 5.0 | -1.1 | -12.8 | 4.7 | -14.8 | -1.8 |
| Profit/loss from continuing operations | -5.5 | -32.4 | -7.0 | -13.8 | 8.0 | -30.9 | -12.2 | -158.0 |
| Profit/loss from discontinued operations | | | -1.4 | | | | -1.2 | -3.1 |
| Net profit/loss for the period | -5.5 | -32.4 | -8.4 | -13.8 | 8.0 | -30.9 | -13.3 | -161.1 |

Earnings per share per quarter

| EUR | Q2 2019 | Q1 2019 | Q4 2018 | Q3 2018 | Q2 2018 | Q1 2018 | Q4 2017 | Q3 2017 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|
| From continuing operations (undiluted and diluted) | -0.10 | -0.47 | -0.12 | -0.21 | 0.09 | -0.45 | -0.19 | -2.21 |
| From the period result (undiluted and diluted) | -0.10 | -0.47 | -0.14 | -0.21 | 0.09 | -0.45 | -0.20 | -2.25 |

Segment information per quarter

| EUR mill. | Q2 2019 | Q1 2019 | Q4 2018 | Q3 2018 | Q2 2018 | Q1 2018 | Q4 2017 | Q3 2017 |
|---|--------------|---------|---------|---------|---------|---------|---------|---------|
| Revenue | | | | | | | | |
| Lindex | 154.0 | 114.5 | 164.3 | 147.0 | 163.8 | 114.8 | 169.6 | 151.1 |
| Stockmann Retail | 84.9 | 88.0 | 129.8 | 75.4 | 104.7 | 76.3 | 136.2 | 81.2 |
| Real Estate | 10.5 | 11.8 | 16.9 | 16.7 | 17.5 | 17.9 | 16.8 | 16.5 |
| Unallocated | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 |
| IFRS 16 impact | -0.5 | -0.5 | | | | | | |
| Eliminations | -6.6 | -6.6 | -6.6 | -6.6 | -6.7 | -6.7 | -6.8 | -6.8 |
| Group total | 242.3 | 207.2 | 304.5 | 232.5 | 279.4 | 202.4 | 315.7 | 242.0 |
| Reported operating profit/loss | | | | | | | | |
| Lindex | 18.8 | -12.6 | 14.8 | 10.8 | 19.6 | -16.2 | 10.0 | 5.5 |
| Stockmann Retail | -10.6 | -11.5 | 3.3 | -10.0 | -3.6 | -17.2 | 7.5 | -10.8 |
| Real Estate | 2.3 | 1.6 | 5.6 | -4.3 | 14.3 | 7.5 | 9.8 | 6.3 |
| Unallocated | -4.0 | -2.8 | -1.4 | -1.4 | -0.8 | -0.9 | -13.7 | -2.4 |
| Goodwill impairment | | | -25.0 | | | | | -150.0 |
| IFRS 16 impact | 3.8 | 3.8 | | | | | | |
| Group total | 10.2 | -21.4 | -2.8 | -4.9 | 29.6 | -26.9 | 13.6 | -151.4 |
| Adjustments to Operating profit/loss | | | | | | | | |
| Lindex | | | 0.0 | 0.0 | -1.2 | -0.3 | -2.7 | |
| Stockmann Retail | -3.2 | | -0.1 | | 0.0 | -1.7 | | |
| Real Estate | 0.0 | -0.8 | -1.2 | -10.8 | 7.0 | | 4.0 | |
| Unallocated | -2.8 | | | | | | -11.9 | |
| Goodwill impairment | | | -25.0 | | | | | -150.0 |
| Group total | -6.0 | -0.8 | -26.3 | -10.8 | 5.7 | -2.0 | -10.6 | -150.0 |
| Adjusted Operating profit/loss | | | | | | | | |
| Lindex | 18.8 | -12.6 | 14.8 | 10.7 | 20.8 | -15.9 | 12.7 | 5.5 |
| Stockmann Retail | -7.4 | -11.5 | 3.4 | -10.0 | -3.6 | -15.5 | 7.5 | -10.8 |
| Real Estate | 2.3 | 2.4 | 6.8 | 6.5 | 7.4 | 7.5 | 5.8 | 6.3 |
| Unallocated | -1.2 | -2.8 | -1.4 | -1.4 | -0.8 | -0.9 | -1.7 | -2.4 |
| IFRS 16 impact | 3.8 | 3.8 | | | | | | |
| Group total | 16.2 | -20.6 | 23.5 | 5.9 | 23.8 | -24.8 | 24.2 | -1.4 |

Information on market areas

| EUR mill. | Q2 2019 | Q1 2019 | Q4 2018 | Q3 2018 | Q2 2018 | Q1 2018 | Q4 2017 | Q3 2017 |
|--|--------------|---------|---------|---------|---------|---------|---------|---------|
| Revenue | | | | | | | | |
| Finland | 84.7 | 87.1 | 124.1 | 80.4 | 106.0 | 75.8 | 129.7 | 83.5 |
| Sweden*) and Norway | 118.3 | 87.4 | 126.6 | 110.9 | 124.5 | 87.1 | 131.8 | 117.9 |
| Baltic countries, Russia and other countries | 39.7 | 33.3 | 53.9 | 41.2 | 48.9 | 39.5 | 54.3 | 40.7 |
| Market areas total | 242.8 | 207.8 | 304.5 | 232.5 | 279.4 | 202.4 | 315.7 | 242.0 |
| IFRS 16 impact | -0.5 | -0.5 | | | | | | |
| Group total | 242.3 | 207.2 | 304.5 | 232.5 | 279.4 | 202.4 | 315.7 | 242.0 |
| Finland % | 34.9% | 41.9% | 40.7% | 34.6% | 37.9% | 37.4% | 41.1% | 34.5% |
| International operations % | 65.1% | 58.1% | 59.3% | 65.4% | 62.1% | 62.6% | 58.9% | 65.5% |
| Operating profit/loss | | | | | | | | |
| Finland | -12.2 | -12.0 | 3.4 | -19.0 | 5.7 | -17.1 | -3.8 | -11.2 |
| Sweden*) and Norway | 18.1 | -13.0 | 10.0 | 8.9 | 17.3 | -10.1 | 9.8 | 7.1 |
| Baltic countries, Russia and other countries | 0.5 | -0.2 | 8.9 | 5.1 | 6.6 | 0.3 | 7.6 | 2.7 |
| Market areas total | 6.4 | -25.2 | 22.2 | -4.9 | 29.6 | -26.9 | 13.6 | -1.4 |
| Goodwill impairment | | | -25.0 | | | | | -150.0 |
| IFRS 16 impact | 3.8 | 3.8 | | | | | | |
| Group total | 10.2 | -21.4 | -2.8 | -4.9 | 29.6 | -26.9 | 13.6 | -151.4 |

*) Includes franchising income

CONTINGENT LIABILITIES AND DERIVATIVE CONTRACTS

| Contingent liabilities of the Group, EUR mill. | 30.6.2019 | 30.6.2018 | 31.12.2018 |
|---|------------------|------------------|-------------------|
| Mortgages on land and buildings *) | 1 671.7 | 1 501.7 | 1 671.7 |
| Pledges and guarantees | 1.6 | 2.9 | 1.9 |
| Electricity commitments | 1.3 | 1.5 | 1.3 |
| Liabilities of adjustments of VAT deductions made on investments to immovable property | 3.6 | 5.5 | 5.7 |
| Total | 1 678.3 | 1 511.5 | 1 680.6 |
| *) Fair value of land and buildings | 671.6 | 863.3 | 852.5 |
| 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. | 30.6.2019 | 30.6.2018 | 31.12.2018 |
| Minimum rents payable on the basis of binding lease agreements on business premises | | | |
| Within one year | 10.9 | 125.2 | 122.7 |
| After one year | | 518.5 | 458.7 |
| Total | 10.9 | 643.7 | 581.4 |
| Group's lease payments, EUR mill. | 30.6.2019 | 30.6.2018 | 31.12.2018 |
| Within one year | 0.4 | 0.7 | 0.7 |
| After one year | 0.5 | 1.7 | 1.4 |
| Total | 0.9 | 2.4 | 2.2 |
| Group's derivative contracts, EUR mill. | 30.6.2019 | 30.6.2018 | 31.12.2018 |
| Nominal value | | | |
| Currency derivatives | 434.7 | 724.6 | 470.1 |
| Electricity derivatives | 2.0 | 1.7 | 1.4 |
| Total | 436.7 | 726.3 | 471.5 |

CONSOLIDATED ASSETS AND GOODWILL

| Assets, EUR mill. | 30.6.2019 | 30.6.2018 | 31.12.2018 |
|---|-----------|-----------|------------|
| Acquisition cost at the beginning of the period | 2 032.3 | 2 169.8 | 2 169.8 |
| Right-of-use assets 1.1. | 517.5 | | |
| Fair value change from revaluation of the real estates | | -0.1 | 8.4 |
| Translation difference +/- | -35.8 | -46.0 | -38.6 |
| Increases during the period | 56.0 | 15.1 | 29.3 |
| Decreases during the period | -4.4 | -129.8 | -136.6 |
| Transfers to non-current assets classified as held for sale | | 0.0 | 0.0 |
| Acquisition cost at the end of the period | 2 565.6 | 2 009.0 | 2 032.3 |
| Accumulated depreciation and impairment losses at the beginning of the period | -633.3 | -598.0 | -598.0 |
| Translation difference +/- | 8.4 | 6.2 | 11.1 |
| Depreciation on reductions during the period | 4.2 | 27.9 | 34.6 |
| Accumulated depreciation on transfers to non-current assets classified as held for sale | | 0.0 | 0.0 |
| Depreciation, amortisation and impairment losses during the period | -70.7 | -28.1 | -80.9 |
| Accumulated depreciation and impairment losses at the end of the period | -691.4 | -592.0 | -633.3 |
| Carrying amount at the beginning of the period | 1 399.1 | 1 571.8 | 1 571.8 |
| Carrying amount at the end of the period | 1 874.2 | 1 417.0 | 1 399.1 |

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

| Goodwill, EUR mill. | 30.6.2019 | 30.6.2018 | 31.12.2018 |
|--|-----------|-----------|------------|
| Carrying amount at the beginning of the period | 516.1 | 563.8 | 563.8 |
| Translation difference +/- | -15.2 | -33.0 | -22.7 |
| Impairment losses | | | -25.0 |
| Carrying amount at the end of the period | 501.0 | 530.8 | 516.1 |

RIGHT-OF-USE ASSETS

| 30.6.2019, EUR mill. | Buildings | Machinery and equipment | Total |
|---|-----------|-------------------------|-------|
| Right-of-use assets 1.1. | 515.8 | 1.8 | 517.5 |
| Translation difference +/- | -9.1 | -0.0 | -9.2 |
| Increases during the period | 40.2 | 0.0 | 40.2 |
| Decreases during the period | | -0.0 | -0.0 |
| Acquisition cost at the end of the period | 546.8 | 1.7 | 548.5 |
| Translation difference +/- | 0.2 | 0.0 | 0.2 |
| Depreciation on reductions during the period | | 0.0 | 0.0 |
| Depreciation, amortisation and impairment losses during the period | -43.0 | -0.4 | -43.4 |
| Accumulated depreciation and impairment losses at the end of the period | -42.8 | -0.4 | -43.2 |
| Carrying amount at the beginning of the period | 515.8 | 1.8 | 517.5 |
| Carrying amount at the end of the period | 504.0 | 1.4 | 505.3 |

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

| Financial assets, EUR mill. | Level | Carrying amount 30.6.2019 | Fair value 30.6.2019 | Carrying amount 30.6.2018 | Fair value 30.6.2018 | Carrying amount 31.12.2018 | Fair value 31.12.2018 |
|--|-------|------------------------------|-------------------------|------------------------------|-------------------------|-------------------------------|--------------------------|
| Derivative contracts, hedge accounting applied | 2 | 1.5 | 1.5 | 1.8 | 1.8 | 0.6 | 0.6 |
| Financial assets at fair value through profit or loss | | | | | | | |
| Derivative contracts, hedge accounting not applied | | | | | | | |
| Currency derivatives | 2 | 0.3 | 0.3 | 28.4 | 28.4 | 0.2 | 0.2 |
| Electricity derivatives | 1 | 0.3 | 0.3 | 0.2 | 0.2 | 0.6 | 0.6 |
| Financial assets at amortised cost | | | | | | | |
| Non-current receivables | | 0.3 | 0.3 | 2.7 | 2.7 | 0.6 | 0.6 |
| Non-current lease receivables | | 16.3 | 16.3 | | | | |
| Current receivables, interest-bearing | | 0.1 | 0.1 | 1.5 | 1.5 | 0.8 | 0.8 |
| Current lease receivables | | 1.2 | 1.2 | | | | |
| Current receivables, non-interest-bearing | | 42.2 | 42.2 | 46.6 | 46.6 | 42.3 | 42.3 |
| Cash and cash equivalents | | 15.7 | 15.7 | 24.9 | 24.9 | 43.4 | 43.4 |
| Other investments | 3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Financial assets by measurement category, total | | 78.2 | 78.2 | 106.5 | 106.5 | 88.8 | 88.8 |

| Financial liabilities, EUR mill. | Level | Carrying amount 30.6.2019 | Fair value 30.6.2019 | Carrying amount 30.6.2018 | Fair value 30.6.2018 | Carrying amount 31.12.2018 | Fair value 31.12.2018 |
|---|-------|------------------------------|-------------------------|------------------------------|-------------------------|-------------------------------|--------------------------|
| Derivative contracts, hedge accounting applied | 2 | 2.0 | 2.0 | | | 3.0 | 3.0 |
| Financial liabilities at fair value through profit or loss | | | | | | | |
| Derivative contracts, hedge accounting not applied | | | | | | | |
| Currency derivatives | 2 | 0.1 | 0.1 | 0.3 | 0.3 | 0.0 | 0.0 |
| Electricity derivatives | 1 | 0.7 | 0.7 | | | | |
| Financial liabilities at amortised cost | | | | | | | |
| Non-current interest-bearing liabilities | 2 | 413.2 | 405.1 | 439.4 | 424.9 | 359.9 | 339.0 |
| Non-current lease liabilities | | 455.4 | 455.4 | | | | |
| Current liabilities, interest-bearing | 2 | 34.3 | 34.3 | 211.0 | 211.4 | 227.9 | 228.1 |
| Current lease liabilities | | 91.5 | 91.5 | | | | |
| Current liabilities, non-interest-bearing | | 179.7 | 179.7 | 160.1 | 160.1 | 187.0 | 187.0 |
| Financial liabilities by measurement category, total | | 1 723.8 | 1 168.8 | 810.7 | 796.7 | 777.9 | 757.2 |

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 valued at fair value during the reporting period.

| Change in fair value of other investments, EUR mill. | 30.6.2019 | 30.6.2018 | 31.12.2018 |
|--|------------|-----------|------------|
| Carrying amount Jan. 1 | 0.3 | 0.3 | 0.3 |
| Translation difference +/- | 0.0 | 0.0 | 0.0 |
| Total | 0.3 | 0.3 | 0.3 |



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