Interim report
Q3 2018

STOCKMANN

STOCKMANN plc, Interim report 26.10.2018 at 8:00 EET

The Group's adjusted operating result back to profit in Q3

July-September 2018, continuing operations:
- Consolidated revenue was EUR 232.5 million (242.0), up 0.3% in comparable currency rates.
- Gross margin was 58.7% (56.2).
- Adjusted operating result was EUR 5.9 million (-1.4).
- Reported operating result was EUR -4.9 million (-151.4), including a value adjustment of EUR -10.8 million related to Nevsky Centre.

January-September 2018, continuing operations:
- Consolidated revenue was EUR 714.3 million (740.1).
- Gross margin was 57.5% (55.3).
- Adjusted operating result was EUR 4.9 million (-12.0).
- Reported operating result was EUR -2.2 million (-162.0).
- Adjusted earnings per share were EUR -0.47 and reported earnings per share were EUR -0.56 (-2.64).

Revenue guidance updated mainly due to weakening currency rates, profit guidance for 2018 unchanged:
Stockmann expects the Group's revenue for 2018 to decline from the previous year. Adjusted operating profit is expected to improve in 2018.

CEO Lauri Veijalainen:
The Stockmann Group's performance improved further in the third quarter, and the adjusted operating result was over EUR 7 million higher than that of the previous year, when the result was negative. Our strategic actions are producing results and we are moving forward.

In the third quarter, Lindex's sales and profitability continued to increase due to a strong start to the autumn season and Lindex increased its market share in its main markets. The adjusted operating result nearly doubled due to higher sales, improved gross margin and cost savings measures.

In Stockmann Retail the operating result improved slightly but was still negative. The gross margin continued to improve, and costs were reduced in the support functions. The ongoing digital projects have advanced well: The Click & Collect service point which is open every day until midnight was opened in the Helsinki department store and the online selection has grown significantly. We announced the launch of a new marketplace that will take place in the spring of 2019, which will open our digital doors to partners and broaden our selection further.

In the Crazy Days campaign, which took place after the quarter in October, sales were down by 9% from the previous year in total. The online store had strong growth of 7%, but sales in the Finnish and Baltic brick & mortar stores were below the previous year's level..

Real Estate continued its stable performance. In October an agreement was signed to divest the Nevsky Centre property.

The full focus is now on the final months of the year and we will put all our efforts into achieveing a good Christmas sales and a solid fourth quarter. Due to the weakening of the Swedish krona, our reported revenue for 2018 will be lower than earlier estimated. However, our profit guidance for 2018 remains unchanged, and we expect the adjusted operating profit to improve in 2018.

KEY FIGURES

Continuing operations	7–9/2018	7–9/2017	1–9/2018	1–9/2017	1–12/2017
Revenue, EUR mill.	**232.5**	242.0	**714.3**	740.1	1 055.9
Gross margin, %	**58.7**	56.2	**57.5**	55.3	55.8
EBITDA, EUR mill.	**9.0**	14.0	**39.8**	33.4	67.6
Adjusted EBITDA, EUR mill.	**19.8**	14.0	**46.8**	33.4	73.2
Operating result (EBIT), EUR mill.	**-4.9**	-151.4	**-2.2**	-162.0	-148.4
Adjusted operating result (EBIT), EUR mill.	**5.9**	-1.4	**4.9**	-12.0	12.3
Net financial items, EUR mill.*	**-7.8**	-4.8	**-25.4**	-20.1	-31.1
Result before tax, EUR mill.	**-12.7**	-156.2	**-27.6**	-182.1	-179.5
Result for the period, EUR mill.	**-13.8**	-158.0	**-36.7**	-186.0	-198.1
Earnings per share, undiluted and diluted, EUR	**-0.21**	-2.21	**-0.56**	-2.64	-2.82
Personnel, average	**7 487**	7 677	**7 258**	7 371	7 360

Continuing and discontinued operations**	7–9/2018	7–9/2017	1–9/2018	1–9/2017	1–12/2017
Net earnings per share, undiluted and diluted, EUR	**-0.21**	-2.25	**-0.56**	-2.78	-2.98
Cash flow from operating activities, EUR mill.	**4.0**	-29.9	**21.9**	-59.7	25.9
Capital expenditure, EUR mill.	**6.0**	8.5	**21.1**	24.2	34.7
Equity per share, EUR			**11.72**	12.09	12.29
Net gearing, %			**74.4**	95.0	83.8
Equity ratio, %			**44.9**	41.9	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, %			**0.7**	-7.5	-9.1

* Includes 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) and 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	7–9/2018	7–9/2017	1–9/2018	1–9/2017	1–12/2017
Adjusted EBITDA	**19.8**	14.0	**46.8**	33.4	73.2
Adjustments to EBITDA					
Restructuring arrangements			**-3.2**		-9.6
Fair value gains and losses on investment properties					4.0
Gain on sale of properties			**7.0**		
Value adjustment to assets held for sale	**-10.8**		**-10.8**		
Adjustments total	**-10.8**		**-7.1**		-5.6
EBITDA	**9.0**	14.0	**39.8**	33.4	67.6

EUR million	7–9/2018	7–9/2017	1–9/2018	1–9/2017	1–12/2017
Adjusted operating result (EBIT)	**5.9**	-1.4	**4.9**	-12.0	12.3
Adjustments to EBIT					
Lindex goodwill impairment		-150.0		-150.0	-150.0
Restructuring arrangements			**-3.2**		-14.6
Fair value gains and losses on investment properties					4.0
Gain on sale of properties			**7.0**		
Value adjustment to assets held for sale	**-10.8**		**-10.8**		
Adjustments total	**-10.8**	-150.0	**-7.1**	-150.0	-160.6
Operating result (EBIT)	**-4.9**	-151.4	**-2.2**	-162.0	-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 third quarter, and consumer confidence was at a high level. However, the fashion market in Finland in January-September was
-1.5% (-2.5%, source: Fashion and Sport Commerce Association, TMA).

In Sweden, the general economic situation continued relatively stable development, but the fashion market in January-September was -2.5% (-1.8%, 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

July-September 2018

The Stockmann Group's third-quarter revenue was EUR 232.5 million (242.0). Revenue was down by 3.9% from the previous year in euros, or up by 0.3% in comparable currency rates.

The revenue in Finland was down by 3.7%, to EUR 80.4 million (83.5). Revenue in other countries was down by 4.1%, to EUR 152.1 million (158.5), but up in comparable currency exchange rates.

The gross profit amounted to EUR 136.6 million (136.0) and the gross margin was 58.7% (56.2). The gross margin was up both in Lindex and Stockmann Retail.

The Group's adjusted EBITDA was EUR 19.8 million (14.0). Depreciation was EUR 13.9 million (15.5).

The adjusted operating result for the third quarter was EUR 5.9 million (-1.4). Operating result improved in all divisions, particularly in Lindex. Operating costs were down by EUR 5.1 million, and amounted to EUR 116.7 million (121.8).

The reported operating result was EUR -4.9 million, which includes a value adjustment of EUR -10.8 million related to the Nevsky Centre property (-151.4, which included a EUR 150 million write-off due to Lindex's goodwill impairment).

January-September 2018

The Stockmann Group's revenue for the period was EUR 714.3 million (740.1). Revenue was down by 3.5% from the previous year in euros, or up by 0.6% in comparable currency rates.,

The revenue in Finland was down by 3.9%, to EUR 262.2 million (272.9). Revenue in other countries was down by 3.2%, to EUR 452.1 million (467.2).

The gross profit amounted to EUR 410.9 million (409.5) and the gross margin was 57.5% (55.3). The margin improved in both Lindex and Stockmann Retail.

The Group's adjusted EBITDA was EUR 46.8 million (33.4). Depreciation was EUR 42.0 million (45.4).

The adjusted operating result for the period was EUR 4.9 million (-12.0). Operating costs were down by EUR 12.1 million. The costs declined mainly due to currency exchange rates and lower marketing costs in Lindex. 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 -2.2 million (-162.0).

Net financial expenses were EUR 25.4 million (20.1, which included write-offs of EUR 5.8 million related to Tuko Logistics Cooperative and Seppälä, and an adjustment of EUR 2.1 million related to annulled additional taxes). The increase is due to the renewal of financing arrangements. Foreign exchange losses amounted to EUR 0.3 million (1.3). The result before taxes was EUR -27.6 million (-182.1).

Taxes for the period totalled EUR 9.1 million (3.9). In 2017, Board of Adjustment annulled EUR 7.7 million of additional taxes and related interests imposed on Stockmann by the Finnish Tax Administration in 2015. Stockmann returned this amount to its third quarter income statement.

The result for the period was EUR -36.7 million (-186.0, or -196.1 including the discontinued operations of Stockmann Delicatessen in Finland).

Adjusted earnings per share for the period were EUR -0.47. Earnings per share for the period were EUR -0.56 (-2.64, or -2.78 including discontinued operations). Equity per share was EUR 11.72 (12.09).

FINANCING AND CAPITAL EMPLOYED

Cash flow from operating activities came to EUR 4.0 million (-29.9) in the third quarter and EUR 21.9 million (-59.7) in January-September. Inventories were below the previous year's level both in Lindex and Stockmann Retail. Total inventories were EUR 182.6 million (204.6) at the end of September. Cash tied in working capital and inventories was released mainly due to an ongoing working capital reduction programme and the impact of currency exchange rates.

Interest-bearing liabilities at the end of September were EUR 647.9 million (843.0), of which long-term debt amounted to EUR 422.9 million (443.7). 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 165.9 million. In addition, the Group has an uncommitted Commercial Paper programme of EUR 600.0 million of which EUR 73.9 million is in use. Stockmann also has a EUR 84.3 million hybrid bond which is treated as equity.

Cash and cash equivalents totalled EUR 19.1 million (14.2) at the end of the period.

The equity ratio at the end of September was 44.9% (41.9), and net gearing was 74.4% (95.0).

The Group's capital employed at the end of September was EUR 1 492.5 million (1 714.2). The return on capital employed over the past 12 months was 0.7% (-7.5).

CAPITAL EXPENDITURE

Capital expenditure totalled EUR 6.0 million (8.5) in the third quarter and EUR 21.1 million (24.2) in January-September. Most of the capital expenditure was used for Lindex digitalisation and store refurbishments. Depreciation was EUR 42.0 million (45.4).

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	7–9/2018	7–9/2017	1–9/2018	1–9/2017
Revenue, EUR mill.	**147.0**	151.1	**425.6**	436.4
Gross margin, %	**62.1**	59.9	**61.5**	59.4
Operating result, EUR mill.	**10.8**	5.5	**14.2**	3.5
Adjusted operating result, EUR mill.	**10.8**	5.5	**15.7**	3.5
Capital expenditure, EUR mill.	**4.3**	5.9	**14.6**	15.1

July-September 2018

Lindex's revenue for the quarter was down by 2.8%, to EUR 147.0 million (151.1). The same-store sales at comparable exchange rates were up by 2.7%. Comparable sales increased in all markets except Poland and UK. Growth in the online store was 65%.

The gross margin for the quarter was 62.1% (59.9). The gross margin was up due to a decrease in markdowns and higher start margins.

Operating costs were down by EUR 4.0 million. The costs declined mainly due to currency exchange rates, but also due to lower marketing costs.

The operating profit for the quarter nearly doubled and was EUR 10.8 million (5.5).

January-September 2018

Lindex's revenue for the period was down by 2.5%, to EUR 425.6 million (436.4). The same-store sales at comparable exchange rates were up by 1.2%.

The gross margin for the period was 61.5% (59.4).

Operating costs were down by EUR 9.1 million, or by EUR 7.6 million including items treated as adjustments. The costs declined mainly due to currency exchange rates.

The adjusted operating profit for the period was EUR 15.7 million and the reported operating profit was EUR 14.2 million (3.5).

Store network

Lindex opened 4 stores and closed 12 stores during the third 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 approximately 15 stores, compared to 2017.

Lindex store network	Total 31.12.2017	Total 30.6.2018	Closed stores 7–9/2018	New stores 7–9/2018	**Total 30.9.2018**
Finland	60	62	2	1	**61**
Sweden	210	205	2	2	**205**
Norway	99	100	4	0	**96**
Estonia	10	9	0	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	2	0	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	1	0	**4**
Kosovo*	2	1	0	0	**1**
Albania*	1	1	0	0	**1**
Saudi Arabia*	21	20	3	1	**18**
Qatar*	2	2	0	0	**2**
Tunisia*	1	1	0	0	**1**
Total	**490**	**484**	**12**	**4**	**476**
Own stores	444	440	8	3	**435**
Franchising stores (*)	46	44	4	1	**41**

STOCKMANN RETAIL

Stockmann Retail	7–9/2018	7–9/2017	1–9/2018	1–9/2017
Revenue, EUR mill.	**75.4**	81.2	**256.4**	274.0
Gross margin, %	**46.6**	44.2	**45.6**	44.1
Operating result, EUR mill.	**−10.0**	−10.8	**−30.8**	−28.1
Adjusted operating result, EUR mill.	**−10.0**	−10.8	**−29.1**	−28.1
Capital expenditure, EUR mill.	**0.6**	1.2	**2.0**	4.5

July-September 2018

Stockmann Retail's revenue for the quarter was EUR 75.4 million (81.2). Revenue was down by 7.2% due to the small clearance sales in July and autumn sales started slowly.
Fashion sales suffered in particular from exceptional weather conditions.

Revenue in Finland was EUR 57.8 million (62.4). Revenue was down by 7.4% compared with the previous year. Revenue in the Baltic department stores was down by 6.4%, to EUR 17.6 million (18.8).

Stockmann's digital acceleration is progressing. Stockmann plans to launch a B2C marketplace focusing on fashion, beauty and home design products in Finland in spring 2019. The marketplace platform enables new brands, partners and product areas to be added to the stockmann.com online store, while giving Stockmann the chance to considerably expand its own product selection and digital services in the online store. The marketplace pilot is already under way with the first partner, XS Toys, which reintroduced toys to customers of the Stockmann online store in September. A new Click & Collect service point, which is open every day until midnight, was also opened in the Helsinki department store in September.

The gross margin for the quarter was 46.6% (44.2). The gross margin improved due to the smaller clearance sales.

Operating costs were down by EUR 1.1 million. The costs declined due to savings in the support functions.

EBITDA was EUR -6.7 million (-7.0). The operating result for the quarter was EUR -10.0 million (-10.8).

January-September 2018

Stockmann Retail's revenue for the period was EUR 256.4 million (274.0 or 272.2 excluding the Oulu department store which was closed in January 2017). Revenue in comparable stores was down by 5.8%.

Revenue in Finland was EUR 196.5 million (212.8). Revenue in comparable stores was down by 6.9%. Revenue in the Baltic department stores was down by 2.1%, to EUR 59.9 million (61.2).

The gross margin for the period was 45.6% (44.1) due to smaller clearance sales and a healthier sales mix.

Operating costs were on a par with the previous year.

Adjusted EBITDA was EUR -19.2 million (-17.2). The adjusted operating result for the period was EUR -29.1 million and the reported operating result was EUR -30.8 million (-28.1).

REAL ESTATE

Real Estate	7–9/2018	7–9/2017	1–9/2018	1–9/2017
Revenue, EUR mill.	**16.7**	16.5	**52.1**	50.3
Net operating income, Stockmann-owned properties, EUR mill.	**12.5**	12.6	**38.7**	38.4
Operating result, EUR mill.	**-4.3**	6.3	**17.6**	19.2
Adjusted operating result, EUR mill.	**6.5**	6.3	**21.4**	19.2
Capital expenditure, EUR mill.	**0.6**	1.1	**3.1**	3.5

July-September 2018

Real Estate's revenue for the quarter was EUR 16.7 million (16.5). Even though the Book House was divested in May, the revenue increased, mainly due to higher rent levels and new tenants.

The net operating income of Stockmann-owned properties was EUR 12.5 million (12.6). The average monthly rent from these properties was EUR 38.10 per square metre (36.61).

The adjusted operating result for the quarter was EUR 6.5 million (6.3). The reported operating result was EUR -4.3 million (6.3), which includes a value adjustment of EUR -10.8 million related to the Nevsky Centre property.

January-September 2018

Real Estate's revenue for the period was EUR 52.1 million (50.3).

The net operating income of the Stockmann-owned properties was EUR 38.7 million (38.4). The average monthly rent from these properties was EUR 38.45 per square metre (37.21). Net rental yield in the reporting period was 5.6% (5.4).

The adjusted operating result for the period was EUR 21.4 million. The reported operating result was EUR 17.6 million (19.2), including a capital gain of EUR 7.0 million due to the divestment of the Book House and a negative valuation adjustment of EUR 10.8 million to the net assets of the Nevsky Centre related to the divestment of the property.

Properties

On 1 January 2018, the fair value of Stockmann's three department store properties amounted to EUR 692 million, 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).

In May 2018, the Book House property was sold to AEW Europe City Retail Fund for a price of EUR 108.6 million. In October 2018 Stockmann signed an agreement to sell its Nevsky Centre property in St Petersburg, Russia, to PPF Real Estate for a purchase price of EUR 171 million. At the end of the third quarter, the property value of the Nevsky Centre was recognised in the Group's balance sheet at a value corresponding to this purchase price. (See "Events after the reporting period" for further information).

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 third quarter, the revalued amount of Stockmann's department store properties was EUR 677 million.

The three department store properties have a gross leasable area (GLA) of 88 000 m2, of which Stockmann Retail was using 73% at the end of September 2018. The occupancy rate of the properties remained at a high level, at 99.4% (99.5). During the third quarter, the Hanko Sushi restaurant opened in the Tampere department store and Green Clean opened a bio laundry in the Riga department store.

Property	Gross leasable area, m2 30.9.2018	Occupancy rate, % 30.9.2018	Usage by Stockmann Retail, % 30.9.2018
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	99,5	0
Total, all Stockmann-owned properties	**134 000**	**99,4**	**48**

PERSONNEL

The Group's average number of personnel in continuing operations was 7 487 (7 677) in the third quarter. In terms of full-time equivalents, the average number of employees was 5 274 (5 325).

At the end of September, the Group had 7 436 employees (7 599), of whom 2 241 (2 321) were working in Finland. The number of employees working outside Finland was 5 195 (5 278), which represented 70% (69) of the total.

The Group's wages and salaries amounted to EUR 125.9 million in the period, compared with EUR 134.4 million in 2017. The total employee benefits expenses were EUR 163.7 million (174.7), which is equivalent to 22.9% (23.6) of revenue.

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 279.0 million (434.1) at the end of September.

The price of a Series A share was EUR 3.85 at the end of September, compared with EUR 4.60 at the end of 2017, while the price of a Series B share was EUR 3.89, compared with EUR 4.35 at the end of 2017.

A total of 0.9 million (0.7) Series A shares and 8.0 million (8.8) Series B shares were traded during the period on Nasdaq Helsinki. This corresponds to 2.9% (2.2) of the average number of Series A shares and 19.2% (21.2) 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 September, Stockmann had 44 903 shareholders, compared with 47 566 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.

EVENTS AFTER THE REPORTING PERIOD

In October, Stockmann plc signed an agreement to sell its Nevsky Centre shopping centre property in St. Petersburg, Russia, to PPF Real Estate for a purchase price of EUR 171 million. The transaction includes Stockmann's fully-owned Russian subsidiary, OOO Stockmann Nevsky Centre, which owns 100% of the Nevsky Centre property. The closing is subject to approval from the Russian Federal Antimonopoly Service. The aim is to close the transaction and transfer the ownership of the company by the end of 2018. The divestment is estimated to have a positive cash flow effect after taxes of approximately EUR 139 million. The divestment will lower the Real Estate division's EBIT annually by approximately EUR 17 million, which is partly offset by the Group's reduced financial costs. (Stock Exchange Release 16 October 2018).

Stockmann Retail's Crazy Days campaign took place in October, after the end of the third quarter. Campaign sales were down by 9% in total. The strongest sales growth was achieved in the online store, where sales were up by 7%. Sales were down in brick & mortar stores both in Finland and in the Baltic countries.

OUTLOOK FOR 2018

In the Stockmann Group's largest operating countries, Finland and Sweden, the general economic situations have improved and the GDP growth has continued in 2018. Consumer confidence has also continued its positive development. A similar development is expected for the rest of the year.

However, purchasing behaviour is changing due to digitalisation and increasing competition. This is reflected in the outlook for the fashion market in Finland and Sweden, 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 in the beginning of 2018, have mostly been implemented and they will be fully visible in the 2019 operating costs.

Capital expenditure for 2018 is re-estimated to be approximately EUR 35 million, which is less than the estimated depreciation for the year.

GUIDANCE FOR 2018

Stockmann expects the Group's revenue for 2018 to decline on the previous year (updated). Adjusted operating profit is expected to improve in 2018 (unchanged).

Earlier 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, 26 October 2018

STOCKMANN plc
Board of Directors

CONDENSED FINANCIAL STATEMENTS AND NOTES

This Interim 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 right-of-use asset which is transferred to the lessee and which is classified as finance lease is derecognised and are presented as a net investment in a sublease. 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 September 2018, the minimum lease payments payable on the basis of leases for the Group's business premises and payments on lease agreements totalled EUR 631.4 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 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. Lease income from sublease classified as finance lease shall not be included in the profit and loss, instead the interest income from a net investment in a sublease is included in financial items. 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.–30.9.2018**	1.1.–30.9.2017	1.1.–31.12.2017
Continuing operations			
REVENUE	**714.3**	740.1	1 055.9
Other operating income	**7.0**	0.0	0.0
Fair value changes on investment properties	**−0.2**	−0.2	3.7
Materials and consumables	**−303.5**	−330.6	−467.1
Wages, salaries and employee benefit expenses	**−163.7**	−174.7	−236.2
Depreciation, amortisation and impairment losses	**−42.0**	−195.4	−215.9
Other operating expenses*)	**−214.2**	−201.3	−288.8
Total expenses	**−723.3**	−901.9	−1 208.0
OPERATING PROFIT/LOSS	**−2.2**	−162.0	−148.4
Financial income	**0.4**	0.4	0.7
Financial expenses	**−25.7**	−20.5	−31.8
Total financial income and expenses	**−25.4**	−20.1	−31.1
PROFIT/LOSS BEFORE TAX	**−27.6**	−182.1	−179.5
Income taxes	**−9.2**	−3.9	−18.7
PROFIT/LOSS FROM CONTINUING OPERATIONS	**−36.7**	−186.0	−198.1
Profit/loss from discontinued operations		−10.1	−11.3
NET PROFIT/LOSS FOR THE PERIOD	**−36.7**	−196.1	−209.4
Profit/loss for the period attributable to:			
Equity holders of the parent company	**−36.7**	−196.1	−209.4
Earnings per share, EUR:			
From continuing operations (undiluted and diluted)	**−0.56**	−2.64	−2.82
From discontinued operations (undiluted and diluted)		−0.14	−0.16
From the period result (undiluted and diluted)	**−0.56**	−2.78	−2.98

*) Includes a value adjustment of EUR -10.8 million for Nevsky Centre in Q3 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR mill.	**1.1.–30.9.2018**	1.1.–30.9.2017	1.1.–31.12.2017
PROFIT/LOSS FOR THE PERIOD	**−36.7**	−196.1	−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	**2.3**	−3.3	−7.2
Exchange differences on translating foreign operations, net of tax	**2.3**	−3.3	−7.2
Cash flow hedges, before tax	**0.6**	−2.9	−2.0
Cash flow hedges, tax	**−0.1**	0.6	0.4
Cash flow hedges, net of tax	**0.4**	−2.2	−1.6
Other comprehensive income for the period, net of tax	**2.8**	−5.5	21.7
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**−34.0**	−201.6	−187.7
Total comprehensive income attributable to:			
Equity holders of the parent company, continuing operations	**−34.0**	−191.5	−176.4
Equity holders of the parent company, discontinued operations		−10.1	−11.3

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR mill.	**30.9.2018**	30.9.2017	31.12.2017
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Goodwill	**538.3**	578.3	563.8
Trademark	**88.2**	94.2	92.4
Intangible rights	**36.9**	46.5	38.5
Other intangible assets	**2.4**	2.9	2.7
Advance payments and construction in progress	**1.4**	0.8	0.6
Intangible assets, total	**667.2**	722.6	698.0
Property, plant and equipment			
Land and water	**103.9**	114.3	103.9
Buildings and constructions	**573.0**	639.9	587.6
Machinery and equipment	**67.2**	76.8	76.2
Modification and renovation expenses for leased premises	**5.2**	4.7	4.4
Advance payments and construction in progress	**1.0**	1.9	1.2
Property, plant and equipment, total	**750.3**	837.7	773.2
Investment properties	**0.5**		100.5
Non-current receivables	**2.6**	4.7	3.0
Other investments	**0.3**	0.3	0.3
Deferred tax assets	**15.2**	37.8	33.2
NON-CURRENT ASSETS, TOTAL	**1 436.0**	1 603.0	1 608.2
CURRENT ASSETS			
Inventories	**182.6**	204.6	162.2
Current receivables			
Interest-bearing receivables	**1.0**	1.2	2.2
Income tax receivables	**9.6**	4.3	3.6
Non-interest-bearing receivables	**60.1**	59.5	79.6
Current receivables, total	**70.7**	65.0	85.4
Cash and cash equivalents	**19.1**	14.2	21.0
CURRENT ASSETS, TOTAL	**272.4**	283.9	268.6
ASSETS CLASSIFIED AS HELD FOR SALE	**173.5**	195.1	184.6
ASSETS, TOTAL	**1 881.8**	2 082.0	2 061.4

EUR mill.	**30.9.2018**	30.9.2017	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	**44.2**	43.1	43.8
Translation reserve	**−12.1**	−10.5	−14.5
Retained earnings	**−212.6**	−224.6	−227.6
Hybrid bond	**84.3**	84.3	84.3
Equity attributable to equity holders of the parent company	**844.6**	871.3	885.1
EQUITY, TOTAL	**844.6**	871.3	885.1
NON-CURRENT LIABILITIES			
Deferred tax liabilities	**128.0**	165.2	146.7
Non-current interest-bearing financing liabilities	**422.9**	443.7	505.2
Non-current non-interest-bearing liabilities and provisions	**19.1**	4.0	20.7
NON-CURRENT LIABILITIES, TOTAL	**570.1**	612.8	672.6
CURRENT LIABILITIES			
Current interest-bearing financing liabilities	**225.0**	399.3	258.3
Current non-interest-bearing liabilities			
Trade payables and other current liabilities	**180.8**	174.3	183.5
Income tax liabilities	**20.5**	17.6	16.4
Current provisions	**4.4**	0.0	5.7
Current non-interest-bearing liabilities, total	**205.7**	191.9	205.7
CURRENT LIABILITIES, TOTAL	**430.7**	591.2	464.0
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	**36.5**	6.6	39.6
LIABILITIES, TOTAL	**1 037.2**	1 210.7	1 176.3
EQUITY AND LIABILITIES, TOTAL	**1 881.8**	2 082.0	2 061.4

Includes continuing and discontinued operations

CONSOLIDATED CASH FLOW STATEMENT

EUR mill.	1.1.–30.9.2018	1.1.–30.9.2017	1.1.–31.12.2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/loss for the period	**-36.7**	-196.1	-209.4
Adjustments for:			
Depreciation, amortisation and impairment losses	**42.0**	195.4	215.9
Gains (-) and losses (+) of disposals of fixed assets and other non-current assets	**4.5**	0.2	0.3
Interest and other financial expenses	**25.7**	20.5	31.8
Interest income	**-0.4**	-0.4	-0.7
Income taxes	**9.2**	3.9	18.7
Other adjustments	**-2.1**	-7.0	11.9
Working capital changes:			
Increase (-) /decrease (+) in inventories	**-24.8**	-28.8	15.5
Increase (-) / decrease (+) in trade and other current receivables	**2.6**	-3.7	3.1
Increase (+) / decrease (-) in current liabilities	**37.1**	-18.0	-26.4
Interest expenses paid	**-23.4**	-13.3	-23.6
Interest received from operating activities	**0.4**	0.4	0.6
Other financing items from operating activities		-0.1	
Income taxes paid from operating activities	**-12.1**	-12.8	-11.8
Net cash from operating activities	**21.9**	-59.7	25.9
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of tangible and intangible assets	**-22.1**	-22.9	-33.7
Proceeds from sale of tangible and intangible assets	**123.8**		
Dividends received from investing activities		0.0	0.0
Net cash used in investing activities	**101.7**	-22.9	-33.7
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from current liabilities	**73.9**	240.6	246.1
Repayment of current liabilities	**-249.1**	-230.5	-380.6
Proceeds from non-current liabilities	**187.0**	131.4	737.4
Repayment of non-current liabilities	**-122.5**	-60.2	-582.9
Loan arrangement expenses			-10.4
Interest on hybrid bond	**-6.6**	-7.4	-7.4
Net cash used in financing activities	**-117.3**	73.8	2.3
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**6.2**	-8.9	-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	**6.2**	-8.9	-5.5
Effects of exchange rate fluctuations on cash held	**-0.2**	0.0	-0.2
Cash and cash equivalents at the end of the period	**19.1**	14.2	21.0
Cheque account with overdraft facility	**-4.3**	-8.7	-12.2
Cash and cash equivalents at the end of the period	**14.8**	5.5	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								−196.1		**−196.1**
Exchange differences on translating foreign operations							−3.3			**−3.3**
Cash flow hedges				−2.2						**−2.2**
Total comprehensive income for the period, net of tax				−2.2			−3.3	−196.1		**−201.6**
Interest paid on hybrid bond								−7.4		**−7.4**
Total transactions with the equity owners								−7.4		**−7.4**
EQUITY 30.9.2017	144.1	186.1	398.3	−0.8	250.4	43.9	−10.5	−224.6	84.3	**871.3**

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								−36.7		**−36.7**
Exchange differences on translating foreign operations							2.3			**2.3**
Cash flow hedges				0.4						**0.4**
Total comprehensive income for the period, net of tax				0.4			2.3	−36.7		**−34.0**
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 30.9.2018	144.1	186.1	360.2	0.3	250.4	43.8	−12.1	−212.6	84.3	**844.6**

Includes continuing and discontinued operations

GROUP'S OPERATING SEGMENTS

Revenue, EUR mill.	**1.1.–30.9.2018**	1.1.–30.9.2017	1.1.–31.12.2017
Lindex	**425.6**	436.4	606.0
Stockmann Retail	**256.4**	274.0	410.2
Real Estate	**52.1**	50.3	67.1
Segments, total	**734.0**	760.8	1 083.3
Unallocated	**0.3**	0.0	0.0
Eliminations	**−20.0**	−20.7	−27.5
Group total	**714.3**	740.1	1 055.9

Operating profit/loss, EUR mill.	**1.1.–30.9.2018**	1.1.–30.9.2017	1.1.–31.12.2017
Lindex	**14.2**	3.5	13.4
Stockmann Retail	**−30.8**	−28.1	−20.6
Real Estate	**17.6**	19.2	29.0
Segments, total	**0.9**	−5.4	21.8
Unallocated	**−3.1**	−6.5	−20.2
Goodwill impairment		−150.0	−150.0
Group total	**−2.2**	−162.0	−148.4
Financial income	**0.4**	0.4	0.7
Financial expenses	**−25.7**	−20.5	−31.8
Consolidated profit/loss before taxes	**−27.6**	−182.1	−179.5

Depreciation, amortisation and impairment losses, EUR mill.	**1.1.–30.9.2018**	1.1.–30.9.2017	1.1.–31.12.2017
Lindex	**14.9**	15.3	20.5
Stockmann Retail	**9.9**	10.9	14.9
Real Estate	**16.0**	17.4	23.2
Segments, total	**40.7**	43.7	58.6
Unallocated	**1.3**	1.7	7.3
Goodwill impairment		150.0	150.0
Group total	**42.0**	195.4	215.9

Capital expenditure, EUR mill.	**1.1.–30.9.2018**	1.1.–30.9.2017	1.1.–31.12.2017
Lindex	**14.6**	15.1	22.6
Stockmann Retail	**2.0**	4.5	5.7
Real Estate	**3.1**	3.5	4.9
Segments, total	**19.7**	23.2	33.2
Unallocated	**1.4**	1.0	1.5
Group total	**21.1**	24.2	34.7

Assets, EUR mill.	**1.1.–30.9.2018**	1.1.–30.9.2017	1.1.–31.12.2017
Lindex	**802.8**	855.7	830.0
Stockmann Retail	**196.1**	224.4	189.1
Real Estate	**676.2**	748.9	786.4
Segments, total	**1 675.1**	1 829.0	1 805.5
Unallocated	**33.3**	57.9	71.3
Assets classified as held for sale	**173.5**	195.1	184.6
Group total	**1 881.8**	2 082.0	2 061.4

INFORMATION ON MARKET AREAS

Revenue, EUR mill.	1.1.–30.9.2018	1.1.–30.9.2017	1.1.–31.12.2017
Finland	**262.2**	272.9	402.6
Sweden**) and Norway	**322.5**	342.9	474.7
Baltic countries, Russia and other countries	**129.6**	124.3	178.6
Group total	**714.3**	740.1	1 055.9
Finland %	**36.7%**	36.9%	38.1%
International operations %	**63.3%**	63.1%	61.9%

Operating profit/loss, EUR mill.	1.1.–30.9.2018	1.1.–30.9.2017	1.1.–31.12.2017
Finland*)	**−30.4**	−30.2	−34.0
Sweden**) and Norway	**16.1**	10.7	20.5
Baltic countries, Russia and other countries	**12.0**	7.6	15.2
Market areas total	**−2.2**	−12.0	1.6
Goodwill impairment		−150.0	−150.0
Group total	**−2.2**	−162.0	−148.4

Non-current assets, EUR mill.	1.1.–30.9.2018	1.1.–30.9.2017	1.1.–31.12.2017
Finland*)	**674.9**	792.2	791.3
Sweden and Norway	**638.1**	684.3	668.3
Baltic countries, Russia and other countries	**280.6**	277.7	298.5
Group total	**1 593.7**	1 754.2	1 758.1
Finland %	**42.4%**	45.2%	45.0%
International operations %	**57.6%**	54.8%	55.0%

*) Includes a value adjustment of EUR -10.8 million for Nevsky Centre in Q3 2018
**) Includes franchising income

ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

EUR mill.	30.9.2018	30.9.2017	31.12.2017
Discontinued operations			
Profit/loss for the financial period from discontinued operations			
Income		80.9	118.7
Expenses		91.1	129.5
Profit/loss before and after taxes		−10.1	−10.8
Profit/loss relating to the sales of discontinued operations after income tax			−0.5
Result from discontinued operation		−10.1	−11.3
Cash flows from discontinued operations			
Cash flow from operations		−9.4	−9.6
Cash flow from investments	**15.5**	−0.9	−0.9
Cash flow total	**15.5**	−10.3	−10.5
Discontinued operations, assets classified as held for sale and relating liabilities			
Intangible assets and property, plant and equipment		6.0	
Inventories		3.7	
Net assets		9.7	
Other assets classified as held for sale and the relating liabilities			
Intangible assets and property, plant and equipment	**172.9**	183.0	183.0
Inventories			
Other receivables	**0.6**	0.7	0.9
Cash and cash equivalents		1.6	0.7
Other liabilities	**36.5**	6.6	39.6
Net assets	**136.9**	178.7	145.0

KEY FIGURES OF THE GROUP

	30.9.2018	30.9.2017	31.12.2017
Equity ratio, %	**44.9**	41.9	43.0
Net gearing, %	**74.4**	95.0	83.8
Cash flow from operating activities per share, year-to-date, EUR	**0.30**	−0.83	0.36
Interest-bearing net debt, EUR mill.	**627.3**	826.5	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.	**279.0**	434.1	321.0
Operating profit/loss, % of revenue *)	**−0.3**	−21.9	−14.1
Equity per share, EUR	**11.72**	12.09	12.29
Return on equity, rolling 12 months, %	**−5.8**	−18.0	−21.3
Return on capital employed, rolling 12 months, %	**0.7**	−7.5	−9.1
Average number of employees, converted to full-time equivalents *)	**5 274**	5 325	5 426
Capital expenditure, year-to-date, EUR mill.	**21.1**	24.2	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	**30.9.2018**	30.9.2017	31.9.2017
RUB	**76.1422**	68.2519	69.3920
NOK	**9.4665**	9.4125	9.8403
SEK	**10.3090**	9.6490	9.8438
Average rate for the period	**1.1.–30.9.2018**	1.1.–30.9.2017	1.1.–31.12.2017
RUB	**73.4342**	64.9392	65.9183
NOK	**9.5877**	9.2358	9.3316
SEK	**10.2384**	9.5832	9.6376

INFORMATION PER QUARTER

Consolidated income statement per quarter							Restated	Restated
EUR mill.	**Q3 2018**	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Continuing operations								
Revenue	**232.5**	279.4	202.4	315.7	242.0	281.3	216.9	348.0
Other operating income	**0.0**	7.0	0.0	0.0	0.0	0.0	0.0	0.0
Fair value changes on investment properties	**-0.2**	0.0	0.0	3.9	-0.2	0.0		-0.1
Materials and consumables	**-95.9**	-116.7	-90.8	-136.5	-106.0	-123.4	-101.2	-153.6
Wages, salaries and employee benefit expenses	**-51.3**	-55.9	-56.5	-61.5	-57.2	-59.1	-58.4	-68.6
Depreciation, amortisation and impairment losses	**-13.9**	-13.9	-14.2	-20.6	-165.5	-14.9	-15.0	-15.2
Other operating expenses	**-76.2**	-70.3	-67.7	-87.5	-64.6	-69.3	-67.4	-78.1
Operating profit/loss	**-4.9**	29.6	-26.9	13.6	-151.4	14.6	-25.1	32.3
Financial income	**0.1**	0.1	0.2	0.3	0.1	-0.3	0.6	-0.1
Financial expenses	**-7.9**	-8.9	-8.9	-11.3	-4.9	-10.5	-5.2	-9.0
Total financial income and expenses	**-7.8**	-8.8	-8.7	-10.9	-4.8	-10.8	-4.6	-9.1
Profit/loss before tax	**-12.7**	20.8	-35.6	2.6	-156.2	3.8	-29.7	23.2
Income taxes	**-1.1**	-12.8	4.7	-14.8	-1.8	-4.9	2.8	-2.3
Profit/loss from continuing operations	**-13.8**	8.0	-30.9	-12.2	-158.0	-1.1	-26.9	20.9
Profit/loss from discontinued operations				-1.2	-3.1	-4.3	-2.7	6.0
Net profit/loss for the period	**-13.8**	8.0	-30.9	-13.3	-161.1	-5.4	-29.6	26.9

Earnings per share per quarter							Restated	Restated
EUR	**Q3 2018**	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
From continuing operations (undiluted and diluted)	**-0.21**	0.09	-0.45	-0.19	-2.21	-0.03	-0.39	0.27
From the period result (undiluted and diluted)	**-0.21**	0.09	-0.45	-0.20	-2.25	-0.09	-0.43	0.36

Segment information per quarter							Restated	Restated
EUR mill.	**Q3 2018**	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Revenue								
Lindex	**147.0**	163.8	114.8	169.6	151.1	162.1	123.2	171.3
Stockmann Retail	**75.4**	104.7	76.3	136.2	81.2	109.1	83.7	167.1
Real Estate	**16.7**	17.5	17.9	16.8	16.5	16.8	17.0	15.7
Unallocated	**0.1**	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Eliminations	**-6.6**	-6.7	-6.7	-6.8	-6.8	-6.9	-7.0	-6.1
Group total	**232.5**	279.4	202.4	315.7	242.0	281.3	216.9	348.0
Operating profit/loss								
Lindex	**10.8**	19.6	-16.2	10.0	5.5	12.6	-14.7	19.6
Stockmann Retail	**-10.0**	-3.6	-17.2	7.5	-10.8	-2.6	-14.7	12.5
Real Estate	**-4.3**	14.3	7.5	9.8	6.3	6.6	6.4	4.6
Segments, total	**-3.5**	30.4	-25.9	27.2	1.0	16.6	-23.0	36.7
Unallocated	**-1.4**	-0.8	-0.9	-13.7	-2.4	-2.0	-2.1	-4.4
Goodwill impairment					-150.0			
Group total	**-4.9**	29.6	-26.9	13.6	-151.4	14.6	-25.1	32.3

Information on market areas							Restated	Restated
EUR mill.	**Q3 2018**	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Revenue								
Finland	**80.4**	106.0	75.8	129.7	83.5	108.1	81.3	161.1
Sweden*) and Norway	**110.9**	124.5	87.1	131.8	117.9	127.7	97.4	136.2
Baltic countries, Russia and other countries	**41.2**	48.9	39.5	54.3	40.7	45.5	38.2	50.7
Group total	**232.5**	279.4	202.4	315.7	242.0	281.3	216.9	348.0
Finland %	**34.6%**	37.9%	37.4%	41.1%	34.5%	38.4%	37.5%	46.3%
International operations %	**65.4%**	62.1%	62.6%	58.9%	65.5%	61.6%	62.5%	53.7%
Operating profit/loss								
Finland*)	**-19.0**	5.7	-17.1	-3.8	-11.2	-3.0	-16.0	6.7
Sweden**) and Norway	**8.9**	17.3	-10.1	9.8	7.1	13.1	-9.5	18.7
Baltic countries, Russia and other countries	**5.1**	6.6	0.3	7.6	2.7	4.4	0.5	7.0
Market areas total	**-4.9**	29.6	-26.9	13.6	-1.4	14.6	-25.1	32.3
Goodwill impairment					-150.0			
Group total	**-4.9**	29.6	-26.9	13.6	-151.4	14.6	-25.1	32.3

*) Includes a value adjustment of EUR -10.8 million for Nevsky Centre in Q3 2018
**) Includes franchising income

CONTINGENT LIABILITIES AND DERIVATIVE CONTRACTS

Contingent liabilities of the Group, EUR mill.	30.9.2018	30.9.2017	31.12.2017
Mortgages on land and buildings	**1 501.7**	1.7	1 801.7
Pledges and guarantees	**2.0**	2.9	2.9
Electricity commitments	**1.5**		1.6
Liabilities of adjustments of VAT deductions made on investments to immovable property	**5.6**	12.6	12.7
Total	**1 510.7**	17.2	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:	**4.4**	4.4	6.0

Lease agreements on the Group's business premises, EUR mill.	30.9.2018	30.9.2017	31.12.2017
Minimum rents payable on the basis of binding lease agreements on business premises			
Within one year	**125.9**	125.4	129.3
After one year	**503.3**	546.9	555.8
Total	**629.2**	672.3	685.1

Group's lease payments, EUR mill.	30.9.2018	30.9.2017	31.12.2017
Within one year	**0.7**	0.7	0.7
After one year	**1.5**	0.9	1.7
Total	**2.2**	1.6	2.4

Group's derivative contracts, EUR mill.	30.9.2018	30.9.2017	31.12.2017
Nominal value			
Currency derivatives	**401.6**	471.8	805.7
Electricity derivatives	**1.6**	0.6	1.4
Total	**403.2**	472.4	807.1

CONSOLIDATED ASSETS AND GOODWILL

Assets, EUR mill.	30.9.2018	30.9.2017	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	**−0.2**	−0.2	41.7
Translation difference +/-	**−35.0**	−11.4	−31.9
Increases during the period	**21.1**	24.2	34.7
Decreases during the period	**−130.8**	−6.6	−27.8
Transfers to non-current assets classified as held for sale	**0.0**	−216.3	−208.6
Acquisition cost at the end of the period	**2 024.8**	2 151.4	2 169.8
Accumulated depreciation and impairment losses at the beginning of the period	**−598.0**	−432.7	−432.7
Translation difference +/-	**4.2**	2.7	6.3
Depreciation on reductions during the period	**28.9**	5.6	17.3
Accumulated depreciation on transfers to non-current assets classified as held for sale	**0.0**	28.7	27.0
Depreciation, amortisation and impairment losses during the period	**−42.0**	−195.4	−215.9
Accumulated depreciation and impairment losses at the end of the period	**−606.9**	−591.1	−598.0
Carrying amount at the beginning of the period	**1 571.8**	1 929.0	1 929.0
Carrying amount at the end of the period	**1 417.9**	1 560.3	1571.8

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

Goodwill, EUR mill.	30.9.2018	30.9.2017	31.12.2017
Carrying amount at the beginning of the period	**563.8**	735.6	735.6
Translation difference +/-	**−25.6**	−7.4	−21.8
Impairment losses		−150.0	−150.0
Carrying amount at the end of the period	**538.3**	578.3	563.8

EUR 513.3 million of goodwill was allocated to Lindex and EUR 25 million of goodwill to Stockmann Retail on 30 September 2018. Goodwill allocated to both Lindex and Stockmann Retail was tested on 30 September 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 30.9.2018	Fair value 30.9.2018	Carrying amount 30.9.2017	Fair value 30.9.2017	Carrying amount 31.12.2017	Fair value 31.12.2017
Derivative contracts, hedge accounting applied	2	**0.3**	**0.3**	0.3	0.3	0.5	0.5
Financial assets at fair value through profit or loss							
Derivative contracts, hedge accounting not applied							
Currency derivatives	2	**10.5**	**10.5**	2.9	2.9	4.8	4.8
Electricity derivatives	1	**0.1**	**0.1**	0.1	0.1		
Financial assets at amortised cost							
Non-current receivables		**2.6**	**2.6**	4.7	4.7	3.0	3.0
Current receivables, interest-bearing		**1.0**	**1.0**	1.2	1.2	2.2	2.2
Current receivables, non-interest-bearing		**49.2**	**49.2**	56.2	56.2	74.3	74.3
Cash and cash equivalents		**19.1**	**19.1**	14.2	14.2	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		**83.1**	**83.1**	79.8	79.8	106.1	106.1

Financial liabilities, EUR mill.	Level	Carrying amount 30.9.2018	Fair value 30.9.2018	Carrying amount 30.9.2017	Fair value 30.9.2017	Carrying amount 31.12.2017	Fair value 31.12.2017
Derivative contracts, hedge accounting applied	2			1.3	1.3	0.7	0.7
Financial liabilities at fair value through profit or loss							
Derivative contracts, hedge accounting not applied							
Currency derivatives	2	**1.0**	**1.0**	1.6	1.6	5.6	5.6
Electricity derivatives	1	**0.0**	**0.0**	0.0	0.0	0.2	0.2
Financial liabilities at amortised cost							
Non-current interest-bearing liabilities	2	**422.9**	**409.7**	443.7	444.0	505.2	504.2
Current liabilities, interest-bearing	2	**225.0**	**225.2**	399.3	401.6	258.3	258.5
Current liabilities, non-interest-bearing		**179.7**	**179.7**	171.4	171.4	177.2	177.2
Financial liabilities by measurement category, total		**828.7**	**815.6**	1 017.3	1 019.8	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.	30.9.2018	30.9.2017	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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