Financial Statements Bulletin 2016

STOCKMANN

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Operating result back to profit – adjusted EBIT improved by EUR 48.7 million in 2016

October-December 2016:
- Consolidated revenue was EUR 388.4 million (EUR 420.0 million).
- Revenue in continuing product areas and businesses was down by 6.5 per cent.
- Gross margin was up, to 53.5 per cent (51.0 per cent).
- Adjusted operating profit was EUR 36.5 million (EUR 18.5 million).
- Reported operating profit was EUR 33.8 million (EUR 4.3 million).

January-December 2016:
- Consolidated revenue was EUR 1 303.2 million (EUR 1 434.8 million).
- Revenue in continuing product areas and businesses was down by 4.1 per cent.
- Gross margin was up, to 53.4 per cent (50.6 per cent).
- Adjusted operating profit was EUR 20.2 million (EUR -28.5 million).
- Reported operating profit was EUR 17.6 million (EUR -52.5 million).
- Reported earnings per share were EUR -0.33 (EUR -1.24).

- Hobby Hall, which was divested on 31 December 2016, is included in the 2016 income statement in the Stockmann Retail segment.
- Department store operations in Russia have been classified as discontinued operations. The comments in the report refer only to continuing operations.

The Board of Directors will propose no dividend to be paid on the 2016 result.

Outlook for 2017:
Stockmann expects the Group's revenue for 2017 to decline due to changes in the store network and product mix. Adjusted operating profit is expected to improve, compared with 2016. Due to normal seasonal variation, the first-quarter operating result will be negative.

KEY FIGURES

Continuing operations	**10–12/2016**	10–12/2015	**1–12/2016**	1–12/2015
Revenue, EUR mill.	**388.4**	420.0	**1 303.2**	1 434.8
Gross margin, per cent	**53.5**	51.0	**53.4**	50.6
Operating result, EUR mill.	**33.8**	4.3	**17.6**	−52.5
Adjustments to operating result*, EUR mill.	**2.6**	14.2	**2.6**	24.0
Adjusted operating result (EBIT), EUR mill.	**36.5**	18.5	**20.2**	−28.5
Adjusted operating result before depreciation (EBITDA), EUR mill.	**51.9**	37.9	**79.4**	43.4
Net financial costs, EUR mill.	**9.1**	7.2	**23.1**	21.2
Result before tax, EUR mill.	**24.7**	−2.9	**−5.5**	−73.7
Result for the period, EUR mill.	**22.4**	−19.1	**−18.2**	−88.9
Earnings per share, undiluted, EUR	**0.29**	−0.27	**−0.33**	−1.24
Personnel, average	**8 422**	10 151	**9 006**	10 763

Continuing and discontinued operations	**10–12/2016**	10–12/2015	**1–12/2016**	1–12/2015
Net earnings per share, undiluted, EUR	**0.36**	−1.26	**−0.12**	−2.43
Cash flow from operating activities, EUR mill.	**96.1**	97.0	**41.5**	17.2
Capital expenditure, EUR mill.	**14.7**	16.5	**44.2**	53.4
Equity per share, EUR			**14.99**	14.53
Net gearing, per cent			**68.3**	72.1
Equity ratio, per cent			**48.3**	46.1
Number of shares, undiluted, weighted average, 1 000 pc			**72 049**	72 049
Return on capital employed, rolling 12 months, per cent			**1.8**	−7.6

* Adjustments affecting operating result were EUR 2.6 million in 2016 and they were mostly related to ICT outsourcing (2015: EUR 24.0 million, relating to Academic Bookstore, Seppälä, Oulu store closing and other restructuring costs). Adjustments affecting tax and financial costs were EUR 9.7 million (EUR 21.8 million).

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

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

CEO Lauri Veijalainen
I'm encouraged by the financial development achieved in 2016. The Group's adjusted operating result improved by nearly EUR 50 million, producing a positive operating result after two years of heavy losses. Our improved profitability has reinforced our confidence that we are on the right path. The department stores' offering is now focused on fashion, beauty, food and home products, and complemented by cafés, products and services from numerous attractive partners.

Lindex continued to be the Group's most profitable division in 2016. Its operating profit was up by EUR 10 million to EUR 55 million and it achieved its best ever sales for the first half of the year. Real Estate continued its positive development and increased its operating profit and also the fair value of Stockmann's properties improved. Also, Stockmann Retail's operating result improved significantly, by around EUR 20 million, but was still negative. The department stores improved their results, particularly in the last quarter of the year which ended up with a solid operating profit of EUR 14 million. Operating costs were down significantly due to the efficiency programme, and the improved gross margin. There is still a lot of work to be done to make the department store business profitable by the end of 2018, but I am confident that this target can be reached as planned.

Stockmann will open a totally new department store in Tapiola in March. We will focus on offering inspirational customer experiences, appealing high-quality selections with dozens of new brands and excellent customer service. The speed will be increased further to achieve the turnaround and to redeem our promises to our customers, as well as to provide more reasons to visit our stores.

Strategy
The Stockmann Group is focusing on developing retail operations and real estate business in its department store properties in Finland and the Baltic countries, as well as the development and expansion of the Lindex fashion chain. The Stockmann Retail and Real Estate divisions cooperate closely, while Lindex is being developed as an independent part of the Group.

In line with its strategy, Stockmann withdrew from several unprofitable business operations and merchandise areas during 2016 and reduced its department store network and retail space. The divestment of the Russian department store business was completed in February and Hobby Hall at year-end. Stockmann is considering divesting the Nevsky Centre shopping centre in St Petersburg. Investigation of this possibility is in progress.

Stockmann is updating its selection that is focused on fashion, beauty, food and home products, improving services and investing in the renewal of its department store premises, in order to offer an improved customer experience. A new department store in rental premises in Tapiola, Finland, will be opened in March 2017.

The new Stockmann online store was launched in the fourth quarter of 2016. The online store operates on a new platform and will gradually gain several new features, such as online availability of the goods in the brick-and-mortar stores and new delivery points. A new Crazy Days online store was launched in October 2016 when the campaign was taking place. Transition to more digital marketing based on customer data and development of digital services to support omnichannel shopping continued during the year.

Efficiency programme
In February 2015, Stockmann launched an efficiency programme with an annual cost savings target of EUR 50 million. The target was visible in the result by the end of 2016. Actions in the programme included the renewal of Stockmann's support functions with a reduced headcount, renegotiations of supplier terms and conditions, and release of store space from Stockmann's own retail operations to external tenants. Additional savings measures were launched in in summer and as a result, approximately 300 positions in the support functions were reduced. These measures will enable achieving further annual savings of approximately EUR 20 million in 2017.

Stockmann's new, highly automated distribution centre was taken into use in May 2016 and the operation has gradually been ramped up to full capacity. The new distribution centre will increase efficiency, speed up delivery times to customers, and produce annual cost savings of approximately EUR 5.5 million compared with 2014. The main part of the savings will be achieved in 2017. During the transition period of 2016, Stockmann Retail's logistics costs were up by around EUR 2 million in 2016 due to overlapping rental and other costs.

In November, Stockmann signed a five-year cooperation agreement with Tech Mahindra regarding the production of part of Stockmann's ICT services. As a consequence, Stockmann consolidated the maintenance and development of business applications and infrastructure offered by more than 20 service providers and delivered from several countries to one dedicated supplier. Approximately 30 of Stockmann's ICT employees were transferred to Tech Mahindra on 1 January 2017 under a business transfer agreement. The target of the changes is to reduce Stockmann's ICT costs by about EUR 4 million annually from 2018 onwards. Due to the change, Stockmann booked a one-time adjustment of EUR 2.3 million in its fourth quarter result in 2016.

Events after the reporting period
Stockmann's department store in Oulu was closed at the end of January 2017. The decision on the closure was made in spring 2015.

Revenue and earnings in continuing operations
The general economic situation continued to be uncertain in Stockmann's main market areas during the fourth quarter of 2016. Consumer confidence improved in Finland towards the end of the year, and the retail market environment started to head in a slightly better direction. The Finnish fashion market was down by 1.7 per cent in January-December (source: TMA). In Sweden, the fashion market slowed down towards the end of the year and was up by 0.4 per cent in January-December (source: Stilindex). The retail market in the Baltic countries improved, although competition has increased particularly in Estonia.

The Stockmann Group's revenue in January-December was EUR 1 303.2 million (EUR 1 434.8 million). In continuing product areas and businesses, revenue was down by 4.1 per cent. The Seppälä fashion chain's revenue is included in the 2015 comparison figure until its divestment on 1 April 2015.

Revenue in Finland was EUR 631.9 million (EUR 743.2 million). In continuing product areas and businesses, revenue was down by 8.1 per cent. Revenue in other countries amounted to EUR 671.3 million (EUR 691.6 million). In continuing product areas and businesses, revenue was down by 0.5 per cent.

Other operating income was EUR 1.3 million (EUR 0.2 million), which consisted of the selling of shares in the Kirjavälitys book logistics company and the Friisinkeskus real estate company in Espoo, Finland.

The Group's gross profit during January-December amounted to EUR 695.7 million (EUR 725.6 million) and the gross margin was 53.4 per cent (50.6 per cent). Gross margin increased in both Stockmann Retail and Lindex.

Adjusted operating costs were down by EUR 65.9 million, and amounted to EUR 616.3 million (EUR 682.2 million). The decline was due to cost saving measures in all divisions as part of the efficiency programme. Adjustments booked in operating costs were EUR 2.6 million (EUR 24.0 million) and they were mainly related to the decision to outsource part of Stockmann's ICT services.

Adjusted EBITDA was EUR 79.4 million (EUR 43.4 million). Depreciation was down, to EUR 59.2 million (EUR 71.9 million), due to reduced investments and the reclassification of the Nevsky Centre as an investment property.

The adjusted operating profit for 2016 was up, to EUR 20.2 million (EUR -28.5 million). The reported operating profit was 17.6 million (EUR -52.5 million). All divisions improved their operating results.

The Stockmann Group's fourth-quarter (October-December) revenue was EUR 388.4 million (EUR 420.0 million). In continuing product areas and businesses, revenue was down by 6.5 per cent.

The fourth-quarter revenue in Finland was EUR 201.6 million (EUR 223.8 million). In continuing product areas and businesses, revenue was down by 9.2 per cent. Revenue in other countries amounted to EUR 186.9 million (EUR 196.2 million). In continuing product areas and businesses, revenue was down by 3.8 per cent.

The fourth-quarter gross profit amounted to EUR 207.8 million (EUR 214.1 million) and the gross margin was 53.5 per cent (51.0 per cent). The gross margin was up in both Stockmann Retail and Lindex.

Adjusted operating costs were down by EUR 20.3 million due to the efficiency programme, and amounted to EUR 155.9 million (EUR 176.2 million). Costs decreased particularly due to lower personnel costs. Adjustments were EUR 2.6 million (EUR 14.2 million).

Adjusted EBITDA was EUR 51.9 million (EUR 37.9 million), and depreciation was EUR 15.4 million (EUR 19.4 million).

The adjusted operating profit for the quarter was up, to EUR 36.5 million (EUR 18.5 million). The reported operating profit was EUR 33.8 million (EUR 4.3 million), with improvements in Stockmann Retail and Real Estate.

Net financial expenses for January-December were EUR 23.1 million (EUR 21.2 million), including adjustments of EUR 5.0 million (EUR 3.3 million). Foreign exchange losses amounted to EUR 1.2 million (EUR 0.1 million).

The result before taxes for the year was EUR -5.5 million (EUR -73.7 million).

Income taxes of EUR 12.7 million (EUR 15.1 million) for 2016 consist of the taxes of Lindex and other subsidiaries and an adjustment of EUR 4.8 million due to tax reassessment from the Swedish tax authorities. Income taxes in the previous year included deferred tax asset from losses and adjustments due to tax reassessment decisions.

The result for the year was EUR -18.2 million (EUR -88.9 million). The net result for 2016, including discontinued operations, was EUR -3.2 million (EUR -175.0 million). The result from discontinued operations is shown in a separate table at the end of this report.

Earnings per share for January-December were EUR -0.33 (EUR -1.24), or EUR -0.12 (EUR -2.43) including discontinued operations. Equity per share was EUR 14.99 (EUR 14.53).

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

Lindex
Lindex's full-year revenue was down by 2.9 per cent, to EUR 633.2 million (EUR 652.3 million). Revenue at comparable exchange rates was down by 1.4 per cent, or 0.5 per cent in comparable stores. Sales increased during the first half of the year, but decreased after the summer due to lower traffic in the stores.

Lindex's gross margin was 63.8 per cent (62.3 per cent). The gross margin was mainly up due to a redefined treatment of inventory obsolescence, and also positively affected by increased prices.

Operating costs were down by EUR 10.5 million as a result of closing the stores in Russia and lower store costs in other markets.

Lindex's operating profit in 2016 was EUR 54.9 million (EUR 44.6 million).

Lindex's revenue in October-December was down by 7.2 per cent, to EUR 171.3 million (EUR 184.6 million). Revenue at comparable exchange rates was down by 4.7 per cent, or 4.0 per cent in comparable stores.

Lindex's gross margin for the fourth quarter was 67.6 per cent (62.6 per cent). The increase was mainly due to a redefined treatment of inventory obsolescence and a correction related to a classification of warehouse expenses for the three first quarters of 2016. Excluding the correction, the gross margin for the fourth quarter would have been [65.0] per cent (62.6 per cent).

Operating costs were up by EUR 2.3 million. The increase was due to currency exchange rates between the Swedish krona and the euro.

Lindex's operating profit in October-December was EUR 19.6 million (EUR 21.3 million).

In 2015, the Fashion Chains division also included Seppälä until its divestment on 1 April 2015. The division's full-year revenue was EUR 668.4 million, including Seppälä's revenue of EUR 16.1 million. The operating result was EUR 30.5 million, including Seppälä's operating result of EUR -14.0 million.

Stockmann Retail
Stockmann Retail's full-year revenue was EUR 635.7 million (EUR 740.8 million). The decline was mostly due to withdrawal from several loss-making product areas in 2015. In continuing product areas and businesses, revenue was down by 8.6 per cent, partly due to changes in product mix and decline in retail space.

Revenue in Finland was EUR 548.2 million (EUR 649.7 million), which includes Hobby Hall's revenue of EUR 75.1 million. In continuing product areas in the department stores, revenue was down by 9.7 per cent. Store renewal work in the Helsinki flagship store, construction work around the Tapiola department store and fewer price-driven campaigns than in 2015 affected the revenue negatively. Revenue for the Oulu department store, which was closed in January 2017, declined towards the end of the year and amounted to EUR 29.6 million in 2016.

Revenue from international operations, which consist of two department stores in the Baltic countries, was EUR 87.5 million (EUR 91.1 million) and accounted for 13.8 per cent (12.3 per cent) of the division's total revenue. In continuing product areas and businesses, revenue was down by 1.8 per cent.

The gross margin for the financial year was 40.3 per cent (38.1 per cent). The gross margin improved due to more efficient buying, fewer discounts given in campaigns and changes in product areas.

Operating costs in 2016 were down by EUR 51.8 million, and amounted to EUR 291.2 million (EUR 343.0 million). The decline was due to the efficiency programme which decreased personnel and rental costs.

The division's operating result was EUR -49.8 million (EUR -72.9 million, or adjusted operating result EUR -68.6 million), of which the department store business accounted for EUR -44.8 million (EUR -67.2 million) and Hobby Hall for EUR -5.0 million (EUR -5.7 million). Hobby Hall was divested on 31 December 2016. The transaction price did not have a significant effect on Stockmann's earnings.

Stockmann Retail's revenue in October-December was EUR 207.6 million (EUR 228.5 million). In continuing product areas and businesses, revenue was down by 8.3 per cent. Revenue declined the most in Oulu and Tapiola stores.

Revenue in Finland was EUR 179.0 million (EUR 200.2 million), which includes Hobby Hall's revenue of EUR 22.4 million. In continuing product areas in the department stores, revenue was down by 9.9 per cent.

Revenue from international operations was EUR 28.6 million (EUR 28.3 million) and accounted for 13.8 per cent (12.4 per cent) of the division's total revenue. In continuing product areas and businesses, revenue was up by 1.4 per cent with growth in both Tallinn and Riga stores.

The gross margin during the fourth quarter was 41.7 per cent (39.2 per cent).

Operating costs during October-December were down by EUR 17.8 million, and amounted to EUR 69.2 million (EUR 87.0 million).

The operating result during the quarter was EUR 14.0 million (EUR 0.4 million), of which the department store business accounted for EUR 13.0 million (EUR 2.4 million) and Hobby Hall for EUR 1.1 million (EUR -1.9 million).

Real Estate
The five properties owned by Stockmann have a gross leasable area (GLA) of 142 000 m2 in total. The occupancy rate of the properties totalled 99.1 per cent at the end of the fourth quarter (98.5 per cent).

In Stockmann's properties, 52 per cent of the GLA was used by Stockmann Retail at the end of December (67 per cent). The decline was mostly due to the transfer of the department store in the Nevsky Centre to a new owner as of 1 February 2016. Excluding the Nevsky Centre, 76 per cent is used by Stockmann Retail.

PROPERTIES

	Gross leasable area, m2 31.12.2016	Occupancy rate, % 31.12.2016	Usage by Stockmann Retail, % 1.1.2016	Usage by Stockmann Retail, % 31.12.2016
Helsinki flagship building	51 000	99.8	80	78
Book House, Helsinki	9 000	100.0	30	30
Tallinn department store building	22 000	99.8	85	84
Riga department store building	15 000	100.0	88	86
Nevsky Centre, St Petersburg	46 000	97.6	44	0
Total, all Stockmann-owned properties	**142 000**	**99.1**	**67**	**52**

On 1 January 2016 the fair value of Stockmann's properties amounted to EUR 918.2 million. During the year, the depreciation of department store properties was deducted from their fair value. The Nevsky Centre, which is treated as an investment property, is not depreciated. The properties were revalued on 31 December 2016 and their fair value amounted to EUR 950.1 million. The department store properties' value was up by EUR 31.9 million, to EUR 769.1 million (737.2 million) and the Nevsky Centre's value remained at EUR 181.0 million. The weighted average market yield requirement used in the fair value calculation was 5.7 per cent (6.0 per cent).

Real Estate's revenue for 2016 was EUR 60.1 million (EUR 59.3 million). The average monthly rent from Stockmann's properties was EUR 33.36 per square metre (EUR 33.07). Net operating income from these properties was EUR 44.4 million (EUR 44.9 million). Net rental yield was 4.9 per cent (5.0 per cent).

Operating profit for the financial year was EUR 21.1 million (EUR 16.3 million), mainly due to lower depreciation as a result of the reclassification of the Nevsky Centre as an investment property.

The division's revenue in October-December was EUR 15.7 million (EUR 14.4 million). Revenue was up as there were less temporary rent adjustments in the Nevsky Centre and new tenants in the department store properties. Net operating income from properties owned by Stockmann was EUR 11.1 million (EUR 9.0 million).

Operating profit for the quarter was EUR 4.6 million (EUR 1.7 million). In 2015, a change of allocation in mainte¬nance expenses was done retroactively in the fourth quarter, which explains the low operating profit in the comparison period.

Several new stores and services were opened in the Stockmann properties during 2016. In the fourth quarter, Joe and the Juice and Bar Primero started offering new food and beverage experiences in the Helsinki flagship department store. XS Lelut opened toy stores in the Turku and Jumbo stores. Suomen Asunnonvaihtokeskus opened the Open Market real estate service points in the Helsinki, Jumbo and Itis stores. Westerback opened jewellery and watch stores in Helsinki, Jumbo, Tampere and Itis, while stores in Turku and Tapiola will open during the first quarter of 2017. The Solaris sunglasses store will open in Helsinki flagship store in spring 2017.

In Tallinn, Estonia, the department store's completely renovated fifth floor opened in October with several new service providers and stores. In Riga, Latvia, several partner stores opened on the department store's second floor in October.

Financing and capital employed
Cash and cash equivalents totalled EUR 20.2 million at the end of 2016, compared with EUR 19.1 million a year earlier. Cash flow from operating activities was EUR 41.5 million (EUR 17.2 million) for the financial year, and EUR 96.1 million (EUR 97.0 million) for the fourth quarter.

Net working capital excluding cash and cash equivalents amounted to EUR 8.4 million at the close of the year, compared with EUR -4.2 million a year earlier.

Inventories were EUR 180.7 million (EUR 170.8 million) at year-end. The increase was due to the higher inventory level of Lindex.

Current receivables amounted to EUR 60.3 million (EUR 55.5 million). Non-interest-bearing liabilities amounted to EUR 232.6 million (EUR 230.5 million).

Interest-bearing liabilities at the close of the year were EUR 761.8 million (EUR 783.4 million), of which long-term debt amounted to EUR 525.3 million (EUR 534.7 million). In addition, the Group had EUR 295.0 million in undrawn, long-term committed credit facilities and EUR 384.5 million in uncommitted, short-term credit facilities. Most of the short-term debt has been acquired in the commercial paper market. Stockmann also has a EUR 84.3 million hybrid bond which is treated as equity. The hybrid bond's accrued interest of EUR 7.4 million was paid out in January 2017, as deduction of equity.

The equity ratio at the close of the year was 48.3 per cent (46.1 per cent), and net gearing was 68.3 per cent (72.1 per cent).

The return on capital employed in 2016 was 1.8 per cent (-7.6 per cent). The Group's capital employed was EUR 1 845.1 million at the end of December, compared with EUR 1 835.1 million a year earlier.

Dividends
Decisions by the 2016 Annual General Meeting were published in a stock exchange release on 15 March 2016. In accordance with a resolution of the meeting, no dividend was paid for the financial year 2015.

At the end of the financial year, on 31 December 2016, the funds available for distribution on the parent company's balance sheet amounted to EUR 64.7 million. The Board of Directors will propose to the Annual General Meeting, to be held on 23 March 2017, that no dividend be paid on the 2016 financial year. The net result for the financial year 2016 will be carried over in the retained earnings.

Capital expenditure
Capital expenditure in 2016 totalled EUR 44.2 million (EUR 53.4 million). Depreciation was EUR 59.2 million (EUR 71.9 million). Fourth-quarter capital expenditure was EUR 14.7 million (EUR 16.5 million), and deprecation was EUR 15.4 million (EUR 19.4 million).

Lindex's capital expenditure for the year totalled EUR 17.7 million (EUR 21.9 million). Lindex opened 13 stores and closed 25 stores during 2016, including all of its remaining stores in Russia. In the fourth quarter, one franchising store was opened in Saudi Arabia and one in Kosovo. Three stores were closed in Finland. In total, there were 475 (487) Lindex stores in 16 countries at the end of the year, of which 39 were franchising stores in six countries.

Stockmann Retail's capital expenditure in 2016 totalled EUR 21.2 million (EUR 25.8 million). A major part of this was used for the new distribution centre, the renewals in the Helsinki and Turku department stores, the new store in Tapiola, and the new e-commerce platform for the online store.

Real Estate's capital expenditure for the year was EUR 5.3 million (EUR 4.8 million), which was used for property maintenance and refurbishments for new tenants mainly in the Helsinki flagship department store and the Tallinn department store.

The Group's other capital expenditure totalled EUR 0.1 million (EUR 1.0 million).

STORE NETWORK

Stockmann Group	Total 31.12.2015	Total 30.9.2016	New stores in Q4 2016	Closed stores in Q4 2016	**Total 31.12.2016**
Lindex stores	487	476	2	3	**475**
of which franchising	37	37	2		**39**
of which own stores	450	439		3	**436**
Department stores	16	9			**9***
Outlet stores	1	0			**0**
Hobby Hall stores	1	1		1	**1**

* Department store in Oulu closed on 31 January 2017.

New Projects
Lindex will continue its store expansion with over 15 new stores in 2017. However, the net increase of stores is expected to be lower, as Lindex is planning to close certain loss-making stores. Lindex will also enter two new franchising markets, Qatar and Tunisia, in 2017.

Stockmann will open a new department store in Tapiola, Espoo, in March 2017. The store is located in leased premises in a completely new shopping centre, next to the current store property.

Capital expenditure for 2017 is estimated to amount to approximately EUR 45–50 million. Most of the capital expenditure will be used for the digital and store expansion of Lindex, the opening of the new Tapiola department store, other Stockmann property and store concept improvements, and IT and omnicommerce system renewals. The depreciation for 2017 is expected to remain on a par with the depreciation in 2016 and be higher than the capital expenditure.

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

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

The share capital remained at EUR 144.1 million in 2016. The market capitalisation was EUR 509.6 million (EUR 449.4 million).

At the close of 2016, the price of a Series A share was EUR 7.09, compared with EUR 6.22 at the end of 2015, while the price of a Series B share was EUR 7.06, compared with EUR 6.25 at the end of 2015. A total of 2.8 million (2.2 million) Series A shares and 12.2 million (14.6 million) Series B shares were traded during the year on Nasdaq Helsinki. This corresponds to 9.1 per cent (7.2 per cent) of the average number of Series A shares and 29.5 per cent (35.2 per cent) of the average number of Series B shares.

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

Stockmann was notified that the holdings of Varma Mutual Pension Insurance Company in Stockmann plc's votes had increased above 5 per cent on 24 November 2016.

At the end of 2016, Stockmann had 49 813 shareholders, compared with 52 415 a year earlier.

Personnel
The Group's average number of personnel in continuing operations was 9 006 (10 762) in 2016. The decline was due to personnel reductions mostly in Stockmann Retail and the divestment of Seppälä in 2015. In terms of full-time equivalents, the average number of employees was 6 562 (7 643).

At the end of 2016, the Group had 8 324 employees (9 734) in continuing operations, of whom 3 315 (4 455) were working in Finland. The number of employees working outside Finland was 5 009 (5 279), which represented 60 per cent (54 per cent) of the total. Stockmann Retail employed 3 464 people (4 471), Real Estate 85 (71) and Lindex 4 427 (4 733), while 216 people (325) were employed in the Group's shared services in Finland and 132 (134) in production offices in Asia.

The Group's wages and salaries amounted to EUR 225.8 million in 2016 compared with EUR 251.6 million in 2015 and 281.9 million in 2014. The total employee benefits expenses were EUR 290.5 million (EUR 321.5 million), which is equivalent to 22.3 per cent (22.4 per cent) of revenue.

Changes in management
Stockmann plc's Board of Directors appointed Lauri Veijalainen as Stockmann's Chief Executive Officer as of 12 September 2016. He had been acting as the interim CEO since 4 April 2016, and was the CFO before that.

Susanna Ottila, Director, Stockmann Delicatessen, was appointed a member of the Management Team as of 13 June 2016. Tove Westermarck was appointed Director, Supply Chain as of the same date. Westermarck had earlier been Director, Development and a member of the Management Team.

Maiju Niskanen was appointed Director, Store Operations and a member of the Stockmann Management Team as of 1 July 2016. Mikko Huttunen was appointed Director of Human Resources and a member of the Management Team as of 15 August 2016. Anna Salmi was appointed Chief Customer Officer and a member of the Management Team as of 28 October 2016.

CEO Per Thelin left the company in April 2016, and Jouko Pitkänen, Director of Stockmann Retail and a member of the Management Team, left the company in June 2016.

Corporate Social Responsibility
Commitment to responsible operations forms a core part of Stockmann's values and daily operations. Stockmann is committed to the UN's Global Compact and its principles. The company's Code of Conduct defines ways of working for all employees and management staff without exception. In the supply chain for Lindex's and Stockmann's own brands the manufacturers must comply with the Supplier Code of Conduct, which is based on the Business Social Compliance Initiative's (BSCI) Code of Conduct. The CSR strategy defines Stockmann's priorities and goals of the responsibility work. These goals have been set to support the Group strategy and business operations by enhancing customer focus and improving efficiency.

Further information on Stockmann's CSR activities and results is published in the CSR Review which is reported according to the Global Reporting Initiative (GRI). The review will be published during the week starting 27 February 2017 (week 9) at the company's website stockmanngroup.com.

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

The general economic situation is affecting consumers' purchasing behaviour and purchasing power in all of the Group's market areas. Consumers' purchasing behaviour is also influenced by digitalisation, increasing competition and changing purchasing trends. Rapid and unexpected movements in markets may influence the behaviour of both the financial markets and consumers. Uncertainties related to purchasing power and behaviour are considered to be the principal risks that could affect Stockmann during 2017.

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. Responsible management of the supply chain is important for the Group's brands in order to retain customer confidence in Stockmann. The Group addresses these factors as part of its day-to-day management of operations.

The Group's operations are based on flexible logistics and efficient flows of goods and information. Delays and disturbances in logistic and information systems as well as uncertainties related to the 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 may have an effect on the financial costs and the financial position. Interest rate fluctuations may also impact the yield related to the properties owned by the Group, and thus to the fair value of these assets. Financial risks are managed in accordance with the risk policy confirmed by the Board of Directors.

Outlook for 2017
In the Stockmann Group's largest operating country, Finland, the economy has slowly begun to recover. GDP and retail market are expected to grow slightly in 2017. Consumers' purchasing power is, however, not expected to increase and purchasing behaviour is changing due to digitalisation and increasing competition.

The Swedish economy remained stable in 2016 and the GDP growth estimate for 2017 remains on a higher level than in Finland. The steady growth in the fashion market stagnated in 2016, and the growth rate is expected to remain at the same level in 2017.

In the Baltic countries, GDP growth is estimated to continue. The outlook for these countries is expected to be better than that for the Stockmann Group's other market areas.

The Russian economy is expected to recover gradually, but purchasing power of Russian consumers remains low.

Stockmann will continue its turnaround by improving the Group's long-term competitiveness and profitability. The efficiency programmes, launched in 2015 and continued in 2016, will be fully visible in the 2017 operating costs. Improvements in the operating result in 2017 are estimated to come mainly from the Stockmann Retail division, which is still loss-making, while Lindex and Real Estate are expected to continue their stable performance.

Capital expenditure for 2017 is estimated to be approximately EUR 45-50 million, which is less than the estimated depreciation for the year.

Stockmann expects the Group's revenue for 2017 to decline due to changes in the store network and product mix. Adjusted operating profit is expected to improve, compared with 2016. Due to normal seasonal variation, the first-quarter operating result will be negative.

Corporate Governance Statement
Stockmann will publish a separate Corporate Governance Statement for 2016 in line with the recommendation by the Finnish Corporate Governance Code. The statement will be published during the week starting 27 February 2017 (week 9).

Helsinki, Finland, 14 February 2017

STOCKMANN plc
Board of Directors

CONDENSED FINANCIAL STATEMENTS AND NOTES

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

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

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

CONSOLIDATED INCOME STATEMENT

EUR mill.	1.1.–31.12.2016	1.1.–31.12.2015
Continuing operations		
REVENUE	**1 303.2**	1 434.8
Other operating income	**1.3**	0.2
Materials and consumables	**−608.8**	−709.3
Wages, salaries and employee benefit expenses	**−290.5**	−321.5
Depreciation, amortisation and impairment losses	**−59.2**	−71.9
Other operating expenses	**−328.4**	−384.8
Total expenses	**−1 286.9**	−1 487.5
OPERATING PROFIT/LOSS	**17.6**	−52.5
Financial income	**0.8**	0.9
Financial expenses	**−23.9**	−22.1
Total financial income and expenses	**−23.1**	−21.2
PROFIT/LOSS BEFORE TAX	**−5.5**	−73.7
Income taxes	**−12.7**	−15.1
PROFIT/LOSS FROM CONTINUING OPERATIONS	**−18.2**	−88.9
Profit/loss from discontinued operations	**15.0**	−86.1
NET PROFIT/LOSS FOR THE PERIOD	**−3.2**	−175.0
Profit/loss for the period attributable to:		
Equity holders of the parent company	**−3.2**	−175.0
Non-controlling interest		−0.0
Earnings per share, EUR		
From continuing operations (undiluted and diluted)	**−0.33**	−1.24
From discontinued operations (undiluted and diluted)	**0.21**	−1.20
From the period result (undiluted and diluted)	**−0.12**	−2.43

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR mill.	1.1.–31.12.2016	1.1.–31.12.2015
PROFIT/LOSS FOR THE PERIOD	**−3.2**	−175.0
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Remeasurement gains/losses on defined benefit pension liability, before tax		0.0
Remeasurement gains/losses on defined benefit pension liability, tax		0.0
Remeasurement gains/losses on defined benefit pension liability, net of tax		0.0
Changes in revaluation surplus (IAS 16), before tax	**48.3**	473.0
Changes in revaluation surplus (IAS 16), tax	**−9.7**	−94.5
Changes in revaluation surplus (IAS 16), net of tax	**38.6**	378.5
Items that may be subsequently reclassified to profit and loss		
Exchange differences on translating foreign operations, before tax	**−2.9**	1.5
Exchange differences on translating foreign operations, tax		0.1
Exchange differences on translating foreign operations, net of tax	**−2.9**	1.6
Cash flow hedges, before tax	**1.1**	−3.6
Cash flow hedges, tax	**−0.2**	0.8
Cash flow hedges, net of tax	**0.8**	−2.8
Other comprehensive income for the period, net of tax	**36.6**	377.2
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**33.4**	202.2
Total comprehensive income attributable to:		
Equity holders of the parent company, continuing operations	**18.3**	288.4
Equity holders of the parent company, discontinued operations	**15.0**	−86.1
Non-controlling interest		−0.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR mill.	31.12.2016	31.12.2015
ASSETS		
NON-CURRENT ASSETS		
Intangible assets		
Goodwill	**735.6**	764.7
Trademark	**95.2**	98.9
Intangible rights	**45.3**	48.7
Other intangible assets	**3.2**	3.7
Advance payments and construction in progress	**3.7**	1.9
Intangible assets, total	**883.1**	917.9
Property, plant and equipment		
Land and water	**114.3**	140.4
Buildings and constructions	**654.8**	777.8
Machinery and equipment	**81.0**	63.2
Modification and renovation expenses for leased premises	**6.1**	5.5
Advance payments and construction in progress	**8.7**	29.3
Property, plant and equipment, total	**864.9**	1 016.2
Investment properties	**181.0**	
Non-current receivables	**7.2**	9.7
Available-for-sale investments	**5.5**	5.4
Deferred tax assets	**38.3**	45.2
NON-CURRENT ASSETS, TOTAL	**1 980.0**	1 994.5
CURRENT ASSETS		
Inventories	**180.7**	170.8
Current receivables		
Interest-bearing receivables	**1.6**	1.6
Income tax receivables	**0.0**	0.2
Non-interest-bearing receivables	**58.7**	53.8
Current receivables, total	**60.3**	55.5
Cash and cash equivalents	**20.2**	19.1
CURRENT ASSETS, TOTAL	**261.2**	245.4
ASSETS CLASSIFIED AS HELD FOR SALE		34.0
ASSETS, TOTAL	**2 241.2**	2 273.9

EUR mill.	31.12.2016	31.12.2015
EQUITY AND LIABILITIES		
EQUITY		
Share capital	**144.1**	144.1
Share premium fund	**186.1**	186.1
Revaluation surplus	**398.3**	368.9
Invested unrestricted equity fund	**250.4**	250.4
Other funds	**45.4**	44.6
Translation reserve	**−7.2**	−4.3
Retained earnings	**−21.1**	−27.1
Hybrid bond	**84.3**	84.3
Equity attributable to equity holders of the parent company	**1 080.3**	1 046.9
EQUITY, TOTAL	**1 080.3**	1 046.9
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**163.6**	163.9
Non-current interest-bearing financing liabilities	**525.3**	534.7
Non-current non-interest-bearing liabilities and provisions	**3.1**	4.8
NON-CURRENT LIABILITIES, TOTAL	**691.9**	703.4
CURRENT LIABILITIES		
Current interest-bearing financing liabilities	**236.5**	248.7
Current non-interest-bearing liabilities		
Trade payables and other current liabilities	**203.3**	207.5
Income tax liabilities	**24.9**	20.5
Current provisions	**4.4**	2.5
Current non-interest-bearing liabilities, total	**232.6**	230.5
CURRENT LIABILITIES, TOTAL	**469.0**	479.2
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE		44.4
LIABILITIES, TOTAL	**1 161.0**	1 227.0
EQUITY AND LIABILITIES, TOTAL	**2 241.2**	2 273.9

Includes continuing and discontinued operations

CONSOLIDATED CASH FLOW STATEMENT

EUR mill.	**1.1.–31.12.2016**	1.1.–31.12.2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/loss for the period	**−3.2**	−175.0
Adjustments for:		
Depreciation, amortisation and impairment losses	**59.2**	89.1
Gains (-) and losses (+) of disposals of fixed assets and other non-current assets	**−1.1**	1.1
Interest and other financial expenses	**23.9**	27.0
Interest income	**−0.8**	−1.1
Income taxes	**12.7**	15.1
Other adjustments	**0.7**	−24.1
Working capital changes:		
Increase (-) /decrease (+) in inventories	**−2.8**	73.0
Increase (-) / decrease (+) in trade and other current receivables	**−4.1**	47.0
Increase (+) / decrease (-) in current liabilities	**−15.5**	−11.2
Interest expenses paid	**−16.6**	−17.8
Interest received from operating activities	**0.8**	0.8
Other financing items from operating activities	**−1.4**	−1.5
Income taxes paid from operating activities	**−10.3**	−5.1
Net cash from operating activities	**41.5**	17.2
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible and intagible assets	**−40.2**	−53.9
Proceeds from sale of tangible and intangible assets	**7.0**	0.9
Acquisition of subsidiaries, net of cash acquired		−0.3
Loans granted		−7.0
Dividends received from investing activities	**0.1**	0.1
Net cash used in investing activities	**−33.2**	−60.3
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of hybrid bond		84.3
Proceeds from current liabilities	**230.5**	218.0
Repayment of current liabilities	**−217.9**	−207.4
Proceeds from non-current liabilities	**105.7**	51.2
Repayment of non-current liabilities	**−127.1**	−112.9
Payment of finance lease liabilities	**−0.2**	−0.6
Net cash used in financing activities	**−8.9**	32.7
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**−0.5**	−10.4
Cash and cash equivalents at the beginning of the period	**19.1**	29.3
Cheque account with overdraft facility	**−4.1**	−4.1
Cash and cash equivalents at the beginning of the period	**15.0**	25.3
Net increase/decrease in cash and cash equivalents	**−0.5**	−10.4
Effects of exchange rate fluctuations on cash held	**0.0**	0.2
Cash and cash equivalents at the end of the period	**20.2**	19.1
Cheque account with overdraft facility	**−5.7**	−4.1
Cash and cash equivalents at the end of the period	**14.5**	15.0

Includes continuing and discontinued operations

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

EUR mill.	Share capital	Share premum fund	Revaluation surplus	Hedging reserve	Reserve for un-restricted equity	Other reserves	Translation differences	Retained earnings	Hybrid bond	**Total**	Non-controlling interest	**Total**
EQUITY 1.1.2016	144.1	186.1	368.9	0.6	250.4	43.9	−4.3	−27.1	84.3	**1 046.9**		**1 046.9**
Profit/loss for the period								−3.2		**−3.2**		**−3.2**
Changes in revaluation surplus (IAS 16)			38.6							**38.6**		**38.6**
Exchange differences on translating foreign operations							−2.9			**−2.9**		**−2.9**
Cash flow hedges				0.8						**0.8**		**0.8**
Total comprehensive income for the period, net of taxes			38.6	0.8			−2.9	−3.2		**33.4**		**33.4**
Other changes			−9.2					9.2		**0.0**		**0.0**
Total transactions with owners			−9.2					9.2		**0.0**		**0.0**
EQUITY 31.12.2016	144.1	186.1	398.3	1.5	250.4	43.9	−7.2	−21.1	84.3	**1 080.3**		**1 080.3**

Includes continuing and discontinued operations

GROUP'S OPERATING SEGMENTS

Revenue, EUR mill.	1.1.–31.12.2016	1.1.–31.12.2015
Fashion Chains	633.2	668.4
Stockmann Retail	635.7	740.8
Real Estate	60.1	59.3
Segments, total	**1 329.0**	1 468.5
Unallocated	0.0	0.3
Eliminations	−25.8	−34.0
Group total	**1 303.2**	1 434.8

Operating profit/loss, EUR mill.	1.1.–31.12.2016	1.1.–31.12.2015
Fashion Chains	54.9	30.5
Stockmann Retail	−49.8	−72.9
Real Estate	21.1	16.3
Segments, total	**26.2**	−26.1
Unallocated	−8.6	−26.4
Group total	**17.6**	−52.5
Financial income	0.8	0.9
Financial expenses	−23.9	−22.1
Consolidated profit/loss before taxes	**−5.5**	−73.7

Depreciation, amortisation and impairment losses, EUR mill.	1.1.–31.12.2016	1.1.–31.12.2015
Fashion Chains	19.9	22.3
Stockmann Retail	14.7	17.8
Real Estate	21.6	27.4
Segments, total	**56.2**	67.5
Unallocated	3.0	4.4
Group total	**59.2**	71.9

Capital expenditure, gross, EUR mill.	1.1.–31.12.2016	1.1.–31.12.2015
Fashion Chains	17.7	21.9
Stockmann Retail	21.2	25.8
Real Estate	5.3	4.8
Segments, total	**44.1**	52.5
Unallocated	0.1	1.0
Group total	**44.2**	53.4

Assets, EUR mill.	1.1.–31.12.2016	1.1.–31.12.2015
Fashion Chains	1 008.9	1 038.4
Stockmann Retail	217.2	209.6
Real Estate	947.9	917.3
Segments, total	**2 174.0**	2 165.3
Unallocated	67.2	74.6
Assets classified as held for sale		34.0
Group total	**2 241.2**	2 273.9

INFORMATION ON MARKET AREAS

Revenue, EUR mill.	**1.1.–31.12.2016**	1.1.–31.12.2015
Finland	**631.9**	743.2
Sweden *) and Norway	**503.4**	512.6
Baltic countries, Russia and other countries	**167.9**	179.0
Group total	**1 303.2**	1 434.8
Finland %	**48.5%**	51.8%
International operations %	**51.5%**	48.2%

Operating profit/loss, EUR mill.	**1.1.–31.12.2016**	1.1.–31.12.2015
Finland	**−49.9**	−102.9
Sweden and Norway	**59.5**	55.4
Baltic countries, Russia and other countries	**7.9**	−5.0
Group total	**17.6**	−52.5

Non-current assets, EUR mill.	**1.1.–31.12.2016**	1.1.–31.12.2015
Finland **)	**801.0**	771.4
Sweden and Norway	**843.6**	878.6
Baltic countries, Russia and other countries	**297.2**	299.9
Group total	**1 941.7**	1 949.9
Finland %	**41.3%**	39.6%
International operations %	**58.7%**	60.4%

*) Includes franchising income
**) Includes non-current assets classified as held for sale

ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

EUR mill.	**31.12.2016**	31.12.2015
Discontinued operations		
Profit/loss for the financial period from discontinued operations		
Income	**13.2**	177.4
Expenses	**12.8**	186.4
Profit/loss before and after taxes	**0.4**	−9.0
Intra-group charges and rent income are eliminated and therefore not included in income nor expenses.		
Profit/loss relating to the sales of Retail Russia after income tax	**14.6**	−77.2
Result from discontinued operation	**15.0**	−86.1
Cash flows from discontinued operations		
Cash flow from operations	**0.0**	−11.7
Cash flow from investments	**6.0**	1.1
Cash flow from financing		8.3
Cash flow total	**6.0**	−2.3
Discontinued operations, assets classified as held for sale and relating liabilities		
Current receivables		13.3
Current liabilities		23.4
Net assets		−10.1
Other assets classified as held for sale and the relating liabilities		
Intangible assets and property, plant and equipment		0.6
Inventories		10.9
Other receivables		8.5
Cash and cash equivalents		0.7
Other liabilities		21.0
Net assets		−0.3

KEY FIGURES OF THE GROUP

	31.12.2016	31.12.2015
Equity ratio, per cent	**48.3**	46.1
Net gearing, per cent	**68.3**	72.1
Cash flow from operating activities per share, EUR	**0.58**	0.24
Interest-bearing net debt, EUR mill.	**736.4**	753.6
Number of shares at the end of the period, thousands	**72 049**	72 049
Weighted average number of shares, thousands	**72 049**	72 049
Weighted average number of shares, diluted, thousands	**72 049**	72 049
Market capitalisation, EUR mill.	**509.6**	449.4
Operating profit/loss, per cent of turnover *)	**1.3**	−3.7
Equity per share, EUR	**14.99**	14.53
Return on equity, rolling 12 months, per cent	**−0.3**	−19.4
Return on capital employed, rolling 12 months, per cent	**1.8**	−7.6
Average number of employees, converted to full-time equivalents *)	**6 562**	7 643
Capital expenditure, EUR mill.	**44.2**	53.4

*) Continuing operations

DEFINITIONS OF KEY FIGURES:

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

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

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

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

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

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

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

* Without own shares owned by the company

EXCHANGE RATES OF EURO

Closing rate for the period	**31.12.2016**	31.12.2015
RUB	**64.3000**	80.6736
NOK	**9.0863**	9.6030
SEK	**9.5525**	9.1895
Average rate for the period	**1.1.–31.12.2016**	1.1.–31.12.2015
RUB	**74.1780**	67.9919
NOK	**9.2919**	8.9442
SEK	**9.4674**	9.3532

INFORMATION PER QUARTER

Consolidated income statement per quarter

EUR mill.	**Q4 2016**	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Continuing operations								
Revenue	**388.4**	288.9	352.7	273.1	420.0	317.9	351.0	345.8
Other operating income	**0.0**	0.6	0.6	0.0	0.0	0.0	0.2	0.0
Materials and consumables	**−180.7**	−131.1	−160.9	−136.1	−205.9	−153.1	−166.1	−184.1
Wages, salaries and employee benefit expenses	**−73.9**	−64.7	−76.1	−75.7	−81.9	−71.7	−81.0	−86.9
Depreciation, amortisation and impairment losses	**−15.4**	−14.7	−15.0	−14.2	−19.4	−17.5	−17.4	−17.6
Other operating expenses	**−84.6**	−76.1	−90.2	−77.5	−108.5	−86.2	−90.7	−99.3
Operating profit/loss	**33.8**	2.9	11.1	−30.3	4.3	−10.6	−4.1	−42.0
Financial income	**−0.1**	0.2	0.3	0.4	0.6	−0.2	−0.4	0.9
Financial expenses	**−9.0**	−5.3	−5.0	−4.7	−7.7	−4.7	−4.6	−5.0
Total financial income and expenses	**−9.1**	−5.0	−4.7	−4.3	−7.2	−4.9	−5.0	−4.1
Profit/loss before tax	**24.7**	−2.1	6.5	−34.6	−2.9	−15.5	−9.1	−46.2
Income taxes	**−2.3**	−5.2	−8.2	3.0	−16.3	5.1	−3.0	−1.0
Profit/loss from continuing operations	**22.4**	−7.3	−1.7	−31.6	−19.1	−10.4	−12.1	−47.2
Profit/loss from discontinued operations	**4.5**	0.1	0.0	10.4	−71.3	−6.1	0.2	−8.9
Net profit/loss for the period	**26.9**	−7.2	−1.7	−21.2	−90.4	−16.5	−11.9	−56.2

Earnings per share per quarter

EUR	**Q4 2016**	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
From continuing operations (undiluted and diluted)	**0.29**	−0.12	−0.04	−0.46	−0.27	−0.14	−0.17	−0.66
From the period result (undiluted and diluted)	**0.36**	−0.12	−0.04	−0.31	−1.26	−0.23	−0.16	−0.78

Segment information per quarter

EUR mill.	**Q4 2016**	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Revenue								
Fashion Chains	**171.3**	156.1	175.6	130.2	184.6	166.4	175.2	142.3
Stockmann Retail	**207.6**	124.2	168.7	135.2	228.5	145.1	169.2	197.9
Real Estate	**15.7**	14.9	14.7	14.8	14.4	15.0	15.2	14.6
Unallocated	**0.0**	0.0	0.0	0.0	0.0	0.1	0.1	0.0
Eliminations	**−6.1**	−6.3	−6.4	−7.1	−7.5	−8.7	−8.8	−9.0
Group total	**388.4**	288.9	352.7	273.1	420.0	317.9	351.0	345.8
Operating profit/loss								
Fashion Chains	**19.6**	15.7	28.1	−8.5	20.5	15.3	17.7	−23.0
Stockmann Retail	**14.0**	−18.0	−20.5	−25.3	0.4	−28.9	−21.8	−22.6
Real Estate	**4.6**	5.1	5.4	6.0	1.7	4.5	5.5	4.6
Unallocated	**−4.4**	0.2	−1.8	−2.6	−18.2	−1.6	−5.5	−1.0
Group total	**33.8**	2.9	11.1	−30.3	4.3	−10.6	−4.1	−42.0

Information on market areas

EUR mill.	**Q4 2016**	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Revenue								
Finland	**201.6**	128.3	169.1	132.9	223.8	148.1	166.2	205.1
Sweden and Norway *)	**136.2**	122.8	140.6	103.9	145.8	129.8	137.4	99.6
Baltic countries, Russia and other countries	**50.7**	37.8	43.0	36.4	50.4	40.0	47.4	41.2
Group total	**388.4**	288.9	352.7	273.1	420.0	317.9	351.0	345.8
Finland %	**51.9%**	44.4%	47.9%	48.6%	53.3%	46.6%	47.4%	59.3%
International operations %	**48.1%**	55.6%	52.1%	51.4%	46.7%	53.4%	52.6%	40.7%
Operating profit/loss								
Finland	**8.2**	−14.3	−18.3	−25.5	−19.2	−27.3	−24.1	−32.2
Sweden and Norway *)	**18.7**	16.0	27.4	−2.6	22.6	18.6	18.7	−4.5
Baltic countries, Russia and other countries	**7.0**	1.2	2.0	−2.2	1.0	−1.9	1.3	−5.3
Group total	**33.8**	2.9	11.1	−30.3	4.3	−10.6	−4.1	−42.0

*) Includes franchising income

CONTINGENT LIABILITIES AND DERIVATIVE CONTRACTS

Contingent liabilities of the Group, EUR mill.	**31.12.2016**	31.12.2015
Mortages on land and buildings	**1.7**	1.7
Pledges and guarantees	**11.4**	8.0
Liabilities of adjustments of VAT deductions made on investments to immovable property	**15.4**	17.6
Total	**28.5**	27.3
Hybrid bond		
On 17 December 2015 Stockmann issued a hybrid bond of EUR 85 mill. The accrued interest on the bond at the end of period was:	**6.8**	0.3

Lease agreements on the Group's business premises, EUR mill.	**31.12.2016**	31.12.2015
Minimum rents payable on the basis of binding lease agreements on business premises		
Within one year	**127.8**	158.7
After one year	**581.2**	726.6
Total	**708.9**	885.3
Retail Russia as per 31.12.2015 EUR 94.0 mill included.		

Group's lease payments, EUR mill.	**31.12.2016**	31.12.2015
Within one year	**0.7**	0.7
After one year	**0.9**	1.0
Total	**1.6**	1.7

Group's derivative contracts, EUR mill.	**31.12.2016**	31.12.2015
Nominal value		
Currency derivatives	**469.3**	523.3
Electricity derivatives	**1.8**	1.8
Total	**471.1**	525.1

CONSOLIDATED ASSETS AND GOODWILL

Assets, EUR mill.	**31.12.2016**	31.12.2015
Acquisition cost at the beginning of the period	**2 331.8**	1 960.6
Fair value valuation of the real estates 1.1.		438.3
Acquisition cost at the beginning of the period total	**2 331.8**	2 398.9
Fair value change from revaluation of the real estates	**47.9**	34.7
Translation difference +/-	**−34.3**	19.0
Increases during the period	**44.2**	53.4
Decreases during the period	**−27.9**	−46.3
Transfers to non-current assets classified as held for sale		−128.0
Acquisition cost at the end of the period	**2 361.7**	2 331.8
Accumulated depreciation and impairment losses at the beginning of the period	**−397.6**	−457.9
Translation difference +/-	**−0.3**	0.2
Depreciation on reductions during the period	**24.4**	39.4
Accumulated depreciation on transfers to non-current assets classified as held for sale		109.7
Depreciation, amortisation and impairment losses during the period	**−59.2**	−89.1
Accumulated depreciation and impairment losses at the end of the period	**−432.7**	−397.6
Carrying amount at the beginning of the period	**1 934.1**	1 502.7
Carrying amount at the end of the period	**1 929.0**	1 934.1

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

Goodwill, EUR mill.	**31.12.2016**	31.12.2015
Acquisition cost at the beginning of the period	**764.7**	748.1
Translation difference +/-	**−29.1**	16.6
Acquisition cost at the end of the period	**735.6**	764.7
Carrying amount at the beginning of the period	**764.7**	748.1
Carrying amount at the end of the period	**735.6**	764.7

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

Financial assets, EUR mill.	Level	**Carrying amount 31.12.2016**	**Fair value 31.12.2016**	Carrying amount 31.12.2015	Fair value 31.12.2015
Derivative contracts, hedge accounting applied	2	**2.0**	**2.0**	1.2	1.2
Financial assets at fair value through profit or loss					
Derivative contracts, hedge accounting not applied					
Currency derivatives	2	**5.5**	**5.5**	0.5	0.5
Financial assets at amortised cost					
Non-current receivables		**7.2**	**7.2**	9.7	9.7
Current receivables, interest-bearing		**1.6**	**1.6**	1.6	1.6
Current receivables, non-interest-bearing		**51.1**	**51.1**	52.1	52.1
Cash and cash equivalents		**20.2**	**20.2**	19.1	19.1
Available-for-sale financial assets	3	**5.5**	**5.5**	5.4	5.4
Financial assets, total		**93.2**	**93.2**	89.6	89.6

Financial liabilities, EUR mill.	Level	**Carrying amount 31.12.2016**	**Fair value 31.12.2016**	Carrying amount 31.12.2015	Fair value 31.12.2015
Derivative contracts, hedge accounting applied	2	**0.1**	**0.1**	0.3	0.3
Financial liabilities at fair value through profit or loss					
Derivative contracts, hedge accounting not applied					
Currency derivatives	2	**2.7**	**2.7**	5.3	5.3
Electricity derivatives	1	**0.2**	**0.2**	0.5	0.5
Financial liabilities at amortised cost					
Non-current interest-bearing liabilities	2	**525.3**	**529.7**	534.7	534.9
Current liabilities, interest-bearing	2	**236.5**	**237.0**	248.7	249.4
Current liabilities, non-interest-bearing		**200.4**	**200.4**	201.6	201.6
Financial liabilities, total		**965.1**	**970.1**	991.2	992.1

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

There were no transfers between levels during the financial year.

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

Change in fair value of available-for-sale financial assets, EUR mill.	**31.12.2016**	31.12.2015
Carrying amount Jan. 1	**5.4**	7.8
Translation difference +/-	**0.3**	0.0
Sale of shares	**−0.2**	−0.1
Fair value change		−1.6
Transfers to non-current assets held for sale		−0.6
Total	**5.5**	5.4

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