



**STOCKMANN plc**

**Financial statements**

**31.12.2013**

# Financial statements 31.12.2013

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## Report by the Board of Directors

***The Stockmann Group's revenue amounted to EUR 2 037.1 million (EUR 2 116.4 million) in 2013. The revenue was down by 2.3 per cent if terminated franchising operations are excluded. Operating profit was EUR 54.4 million (EUR 87.3 million). Profit for the period was EUR 48.4 million (EUR 53.6 million). Earnings per share were EUR 0.67 (EUR 0.74), which includes a tax refund of EUR 0.37. The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.40 per share be paid.***

### REVENUE AND EARNINGS

The market environment was weak in 2013, particularly in Finland where GDP growth stagnated, consumer confidence weakened and purchasing power declined. The Finnish fashion market was down by 4.9 per cent in 2013 (TMA index). In Sweden, the operating environment improved slightly in the summer and again at the end of 2013. The fashion market was down by 0.4 per cent for the full year (Stilindex). In Russia, GDP growth slowed down and the rouble weakened against the euro by over 10 per cent in the second half of the year. The retail market in the Baltic countries was relatively stable in 2013.

The Stockmann Group's revenue for the financial year was EUR 2 037.1 million (2012: EUR 2 116.4 million). If the terminated franchising operations are excluded, revenue declined by 2.3 per cent. If the terminated franchising operations are included, revenue declined by 3.7 per cent. Revenue was down in both divisions, although Lindex's revenue in the Fashion Chain Division improved in all of its markets except Finland.

Revenue in Finland was EUR 983.2 million (EUR 1 048.2 million). Excluding the terminated Zara franchising, revenue was down by 4.5 per cent. Revenue in other countries amounted to EUR 1 053.9 million (EUR 1 068.2 million). Excluding the terminated Bestseller franchising, revenue outside Finland was up by 0.3 per cent. The Norwegian krone and the Russian rouble weakened, whereas the Swedish krona was on a par with the previous year. If like-for-like exchange rates are used, the Group's revenue outside Finland, excluding franchising, was up by 2.2 per cent. This accounted for 51.7 per cent (50.5 per cent) of the total revenue.

There was no other operating income in 2013. In 2012, other operating income was EUR 0.6 million.

The Group's gross profit for the financial year was down by EUR 57.1 million, to EUR 990.1 million (EUR 1 047.2 million). The gross margin was 48.6 per cent (49.5 per cent). The gross margin was slightly up in the Fashion Chain Division and down in the Department Store Division. Operating costs were down by 2.8 per cent, or by EUR 24.6 million, to EUR 861.4 million (EUR 886.0 million). Costs were significantly down in the Department Store Division, due to the cost savings programme and the terminated franchising operations, but up in the Fashion Chain Division. Operating costs accounted for 42.3 per cent (41.9 per cent) of revenue. Depreciation was EUR 74.4 million (EUR 74.5 million).

The consolidated operating profit for the financial year was down by EUR 33.0 million, to EUR 54.4 million (EUR 87.3 million). Lindex improved its operating profit while the operating result of both the Department Store Division and Seppälä was significantly weaker than in 2012. Operating profit declined particularly in Finland and Russia, but was up in the market area Sweden and Norway.

Lindex received a EUR 26.3 million refund, consisting of EUR 21.8 million in taxes and EUR 3.1 million in interests from the Swedish tax authorities and EUR 1.0 million in taxes and EUR 0.4 million in interests from the German tax authorities. The tax refund resulted from the Swedish and German tax authorities' earlier decision to eliminate the Lindex Group's double taxation for 1999-2005 tax years. The refund was recognised in the income statement in the third quarter and in the cash flow statement in the fourth quarter.

Net financial expenses for the financial year were down by EUR 4.8 million, to EUR 27.6 million (EUR 32.4 million). The decline was mainly due to interest income resulting from the Lindex tax refund. Non-recurring foreign exchange losses amounted to EUR 1.5 million (2012: gains of EUR 0.6 million).

Profit before taxes for the financial year was EUR 26.8 million (EUR 54.9 million). Income taxes were EUR 6.2 million (EUR 7.0 million). A credit of EUR 22.8 million was recognised on the Lindex tax refund. A decline in deferred tax liability also reduced taxes since a lowered corporate tax rate was introduced in Finland as of 1 January 2014. In total, taxes for the year amounted to EUR -21.6 million (EUR 1.4 million). Profit for the year was EUR 48.4 million (EUR 53.6 million).

Earnings per share for the financial year amounted to EUR 0.67 (EUR 0.74), and, diluted for share options, to EUR 0.67 (EUR 0.74). The tax refund for Lindex, which is included in earnings, was EUR 0.37 per share. Equity per share was EUR 12.42 (EUR 12.40).

## REVENUE AND EARNINGS BY DIVISION

### Department Store Division

The Department Store Division's full-year revenue was EUR 1 232.6 million (EUR 1 302.7 million). If the terminated franchising operations are excluded, revenue was down by 3.1 per cent.

Revenue in Finland was EUR 833.5 million (EUR 881.2 million) in 2013. Excluding the Zara franchising, revenue was down by 3.3 per cent. Revenue declined in all department stores, and particularly in the Tampere, Itäkeskus, and Tapiola department stores, due to construction and renovation work. The Stockmann online store almost doubled its revenue. This represented 5 per cent of the Finnish department stores' revenue in the product categories sold online. Hobby Hall's revenue declined due to the challenging electronics market.

Revenue from international operations was EUR 399.1 million (EUR 421.5 million) and accounted for 32.4 per cent (32.4 per cent) of the division's total revenue. Excluding the terminated Bestseller franchising, euro-denominated revenue was down by 2.7 per cent. The decline was due to the weakened Russian rouble. If like-for-like exchange rates are used, revenue was up by 1.8 per cent and grew particularly in St Petersburg and Ekaterinburg.

Revenue in the Baltic countries was down by 2.3 per cent to EUR 96.5 million (EUR 98.8 million). In Russia, revenue excluding franchising was down by 2.9 per cent to EUR 302.6 million (EUR 311.5 million, excluding Bestseller franchising of EUR 11.2 million). Rouble-denominated revenue, excluding franchising, was up by 1.9 per cent.

The gross margin for the financial year was 40.1 per cent (41.9 per cent). The decline was due to price-driven campaigns in all markets and the weakened Russian rouble. Operating profit was down by EUR 22.0 million, to EUR 26.0 million (EUR 48.0 million, including Bestseller franchising operations' operating result of EUR -7.3 million). Operating profit was positive in all markets. Operating costs decreased by EUR 31.4 million, mainly due to the cost savings programme and the terminated franchising operations, which had costs of EUR 17.2 million in 2012.

### Fashion Chain Division

The Fashion Chain Division's full-year revenue was down by 1.1 per cent, to EUR 805.2 million (EUR 814.0 million). Revenue was down by 10.1 per cent in Finland, to EUR 150.4 million (EUR 167.3 million), and up by 1.2 per cent in international operations, to EUR 654.8 million (EUR 646.7 million). Revenue outside Finland accounted for 81.3 per cent (79.5 per cent) of the division's total revenue.

Lindex's full-year revenue totalled EUR 688.0 million (EUR 670.9 million), an increase of 2.5 per cent compared on the previous year. In local currencies, revenue was up by 3.5 per cent, with growth in all markets except Finland. Seppälä's revenue was down by 18.1 per cent, to EUR 117.3 million (EUR 143.1 million), with a decline recorded in all markets.

The Fashion Chain Division's gross margin for 2013 was 61.7 per cent (61.5 per cent). Lindex's gross margin improved to 62.6 per cent (62.3 per cent). Seppälä's gross margin was 56.4 per cent (57.6 per cent). The decline was due to price-driven campaigns.

The division's full-year operating profit was down by EUR 11.4 million, to EUR 38.6 million (EUR 50.0 million). Lindex continued its good performance and recorded an operating profit of EUR 52.9 million (EUR 51.0 million). Seppälä's operating result was significantly down, to EUR -14.4 million (EUR -1.0 million). The result declined in all countries as a result of weak sales, despite lower operating costs.

## FINANCING AND CAPITAL EMPLOYED

Cash and cash equivalents totalled EUR 33.9 million at the close of the year, compared with EUR 36.1 million a year earlier. Cash flow from operating activities was EUR 125.4 million (EUR 123.7 million) for the financial year. The cash flow includes Lindex's tax refund of EUR 26.3 million.

Net working capital excluding cash and cash equivalents amounted to EUR 133.9 million at the close of the year, compared with EUR 119.5 million a year earlier. Inventories were EUR 285.8 million (EUR 281.4 million). Compared with the previous year, the stock level was up in the Fashion Chain Division and down in the Department Store Division.

Current receivables amounted to EUR 120.9 million (116.2 million). Non-interest-bearing liabilities amounted to EUR 272.8 million (EUR 278.1 million).

Interest-bearing liabilities at the close of the year stood at EUR 814.8 million (EUR 848.5 million), of which EUR 469.4 million (EUR 502.9 million) was long-term debt. In addition, the Group had EUR 393.4 million in undrawn, long-term committed credit facilities. Most of the short-term debt has been acquired in the commercial paper market.

Stockmann refinanced its long-term credit facilities in December 2013 by signing bilateral agreements, totalling EUR 700 million, with six banks. The facilities will mature in February 2019.

The equity ratio at the close of the year was 43.8 per cent (42.8 per cent), and net gearing was 87.3 per cent (90.9 per cent).

The return on capital employed over the past 12 months was 3.4 per cent (5.1 per cent). The Group's capital employed decreased by EUR 35.5 million and stood at EUR 1 710.2 million (EUR 1 742.5 million) at the end of the year.

## **DIVIDENDS**

In accordance with the resolution of the 2013 Annual General Meeting, a dividend of EUR 0.60 per share was paid on the 2012 financial year, totalling EUR 43.1 million.

At the end of the financial year, on 31 December 2013, the funds available for profit distribution on the parent company's balance sheet amounted to EUR 394.2 million, of which EUR 15.2 million was net profit for the financial year. The Board of Directors will propose to the Annual General Meeting, to be held on 18 March 2014, that a dividend of EUR 0.40 per share be paid on the 2013 financial year. The proposed dividend is 59.5 per cent of earnings per share. Under this proposal, a total of EUR 28.8 million would be paid in dividends. EUR 365.4 million would remain in unrestricted equity.

## **COST SAVINGS PROGRAMME**

In April, Stockmann launched a cost savings programme across the organisation. The target was to reduce fixed operating costs in the Department Store Division and the Fashion Chain Division by over EUR 10 million in 2013. The target was exceeded. Stockmann also introduced lay-offs of 12 working days for most of its personnel in Finland, aimed at achieving additional savings of approximately EUR 7 million by summer 2014. EUR 5 million of the targeted savings were achieved in 2013.

The Department Store Division is also undergoing structural changes in order to improve the long-term cost structure. The changes are being implemented in stages, and they were first applied in marketing operations in the autumn. The new operating model for marketing led to a reduction of 50 jobs in Finland. The target is to achieve annual cost savings of approximately EUR 4 million, to be achieved partially in 2014 and fully in 2015.

Planning for structural changes in the Department Store Division's store operations and customer service organisation was also initiated in 2013. A plan to introduce a new distribution centre for department stores in Finland and the Baltic countries was announced in January 2014.

## **CAPITAL EXPENDITURE**

Capital expenditure during the financial year totalled EUR 56.8 million (EUR 60.3 million), which was lower than depreciation at EUR 74.4 million (74.5 million).

The Department Store Division's capital expenditure for the financial year totalled EUR 26.9 million (EUR 30.4 million). In 2013 the division invested EUR 10.3 million in a project to introduce a new enterprise resource planning (ERP) system. The system was implemented in Russia and the Baltic countries, and for the Academic Bookstore in Finland during 2013. Other implementations in Finland will take place in 2014.

New premises were opened for the Itis department store in Itäkeskus, Helsinki in November 2013. The renovation was mostly financed by the landlord. The enlargement of the Tampere department store continued. The project is due for completion in late 2014. The outlet stores in Vantaa, Finland, and in Tallinn, Estonia, a concept store in St Petersburg, Russia and one Stockmann Beauty cosmetics store in Finland were closed during 2013. Four Zara franchising stores in Finland were transferred to Inditex as of 1 March 2013 when the franchising operations were terminated.

The Fashion Chain Division's capital expenditure for the financial year totalled EUR 24.7 million (EUR 22.0 million). Lindex opened 20 stores and closed 10 stores in 2013. In total there were 479 Lindex stores in 16 countries at the end of the year.

Seppälä opened one store and closed 12 stores in 2013. In total there were 209 Seppälä stores in five countries at the end of 2013. Part of the capital expenditure was for the implementation of Seppälä's new ERP and financial systems, which were brought into use on 1 October 2013 following Lindex's example. At the same time, Seppälä's legal structure was changed to correspond to Lindex's legal structure.

The Group's other capital expenditure totalled EUR 5.4 million (EUR 7.9 million). The Group's financial management systems are being gradually replaced in connection with the renewal of the Department Store Division's ERP system. The project will continue in 2014.

## STORE NETWORK

<b>Stockmann Group</b>	Total 31.12.2012	New stores in 2013	Closed stores in 2013	<b>Total 31.12.2013</b>
<b>Department stores*</b>	<b>16</b>			<b>16</b>
Stockmann Beauty stores	12		1	11
Other stores in Department Store Division (Hobby Hall, Outlets)	9		7	2
<b>Lindex stores</b>	<b>469</b>	<b>20</b>	<b>10</b>	<b>479</b>
<i>of which franchising</i>	<i>30</i>	<i>9</i>	<i>4</i>	<i>35</i>
<i>of which own stores</i>	<i>439</i>	<i>11</i>	<i>6</i>	<i>444</i>
<b>Seppälä stores</b>	<b>220</b>	<b>1</b>	<b>12</b>	<b>209</b>

\* Academic Bookstores are part of the department stores in Finland

## NEW PROJECTS

The capital expenditure for 2014 is estimated to total approximately EUR 60 million, which is less than the estimated depreciation of approximately EUR 75 million. Most of the capital expenditure will be used for expansion and refurbishment of the Lindex store network, department store renovations and IT system renewals.

Planning for the Tapiola department store will continue, with the timetable being dependent on Espoo City's planning for the area.

Lindex will continue to expand with a net addition of over 20 stores in 2014, including franchising stores. The company has entered into a franchising partnership with Suning, a large Chinese retail and real estate company, in order to open a chain of Lindex fashion stores in China. The first Lindex store will be opened in

Shanghai in September 2014. According to the franchising agreement, Suning's target is to establish 100 Lindex stores in China between 2015 and 2018. Suning will also introduce Lindex products online in China.

Seppälä targets to close down over 20 stores in Russia in 2014.

## **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.

In February 2013, the Board of Directors approved a request of a shareholder to convert 31 798 Series A shares to Series B shares in accordance with Article 3 in the Articles of Association. The conversion did not affect the total number of shares, but the number of votes conferred by the shares was decreased by 286 182. The conversions of shares were registered in the Trade Register on 1 March 2013, and the converted shares were listed on the Nasdaq OMX Helsinki on 4 March 2013.

As of the end of 2013, Stockmann had 30 595 765 Series A shares and 41 452 918 Series B shares, or a total of 72 048 683 shares. The number of votes conferred by the shares was 347 410 568.

The share capital remained at EUR 144.1 million at the end of 2013. The market capitalization at the end of the year was EUR 796.0 million (EUR 994.6 million).

At the close of 2013, the price of a Series A share was EUR 11.06, compared with EUR 14.08 at the end of 2012, while the price of a the Series B share was EUR 11.04, compared with EUR 13.60 at the end of 2012. Share performance was under the OMX Helsinki Cap and the OMX Helsinki indexes in 2013. A total of 0.4 million (0.4 million) Series A shares and 14.6 million (11.3 million) Series B shares were traded during the year. This corresponds to 1.5 per cent (1.4 per cent) of the average number of Series A shares and 35.1 per cent (27.4 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 shares of the company or to issue new shares.

At the end of 2013, Stockmann had 59 475 shareholders, compared with 59 283 a year earlier. Stockmann did not receive any flagging announcements arising from changes in major shareholdings during 2013.

## **PERSONNEL**

The Group's average number of personnel in 2013 was 14 963, which is 640 less than in the previous year (15 603 in 2012 and 15 964 in 2011). The average number of employees, in terms of full-time equivalents, decreased by 476 to a total of 11 422 (11 898 in 2012 and 12 172 in 2011). The decline was partly due to terminated franchising operations.

At the end of 2013, the Group had 15 441 employees (16 041) of whom 7033 (7 553) were working in Finland. The number of employees working outside of Finland was 8 408 (8 488) representing 54 per cent (53 per cent) of the total. The Department Store Division employed 8 955 people (9 634), Lindex 4 999 (4 856), Seppälä 1 346 (1 419), while 141 people were employed in the Corporate Administration (132).

The Group's wages and salaries amounted to EUR 313.1 million in 2013, compared with EUR 319.4 million in 2012 and EUR 307.7 million in 2011. Employee benefits expenses totalled EUR 397.8 million (EUR 405.1 million) which accounted for 19.5 per cent (19.1 per cent) of revenue.

## **EVENTS AFTER THE REPORTING PERIOD**

Stockmann signed an agreement with SRV on the construction of a new distribution centre for Finland and the Baltic countries. The distribution centre, which will be completed in 2016, will be located in Tuusula, Finland, and it will be financed and leased by Ilmarinen Mutual Pension Insurance Company.

The new distribution centre will serve Stockmann's department stores and online store more efficiently than before. In addition to operational improvements, Stockmann is targeting an annual cost saving of

approximately EUR 6.5 million, primarily in the form of reduced personnel, transportation and real estate expenses. Savings are expected to be achieved in full from 2018 onwards.

To achieve highly-automated operations as planned, Stockmann will make a significant investment in automation technology. The amount of capital expenditure will be confirmed once a decision on the automation technology provider is made. The automation of operations may lead to a reduction of a maximum of 200 man-years (FTE) at the warehouses in Finland and a maximum of 50 man-years (FTE) at the warehouse in Latvia.

## **RISK FACTORS**

The Stockmann Group has own business operations in the Nordic countries, Russia, the Baltic countries and eastern Central Europe, and franchising operations in several other countries. The general economic situation is affecting consumers' purchasing behaviour and purchasing power in all of the Group's market areas. Rapid and unexpected movements in markets may influence the behaviour of both the financial markets and consumers. Uncertainties related to the general economic situation, and particularly those related to consumers' purchasing power, are considered to be the principal risks that may affect Stockmann during 2014.

Business risks are greater in Russia than in the Nordic countries or the Baltic countries, and the operating environment is less stable owing to factors such as the undeveloped business culture and the country's infrastructure. The grey economy still plays a considerable role and continues to distort competition. Although Russia became a member of the World Trade Organisation (WTO) in 2012, this has not brought greater clarity to the competitive environment nor reduced import duties. Energy prices, and especially oil prices, have a significant impact on the growth of the Russian economy and on consumer purchasing behaviour.

Fashion accounts for over two thirds of the Group's revenue. An inherent feature of the fashion trade is the short life cycle 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. With the exclusion of major exceptional situations, these factors are not expected to have a significant effect on the Group's revenue or earnings.

The Group's operations are based on flexible logistics and efficient flows of goods. Delays and disturbances in the flow of goods and information can have a temporary adverse effect on operations. Every effort is made to manage these operational risks by developing appropriate back-up systems and alternative ways of operating, and by seeking to minimise disturbances to information systems. Operational risks are also met by taking out insurance cover. Operational risks are not considered to have any significant effect on Stockmann's business activities.

The Group's revenue, earnings and balance sheet are affected by changes in exchange rates between the Group's reporting currency, the euro, and the Swedish krona, the Norwegian krone, the Russian rouble, the US dollar and certain other currencies. Currency fluctuations may have a significant effect on the Group's business operations. Financial risks, including risks arising from interest rate fluctuations, are managed in accordance with the risk policy confirmed by the Board of Directors.

## **OUTLOOK FOR 2014**

The European economy is expected to improve slightly in 2014, but uncertainty will continue in the retail market, particularly in Finland. Purchasing power is expected to remain low, which will have a negative effect on consumer purchasing behaviour.

The Russian rouble has weakened considerably and economic growth in Russia is estimated to stay on a low level. As a consequence, the retail market outlook is expected to weaken.

The outlook for the affordable fashion market in Sweden is expected to improve slightly in 2014. The retail market in the Baltic countries is expected to remain relatively stable. Low consumer confidence may, however, affect consumers' willingness to make purchases in all market areas.



As a consequence of the uncertain outlook, Stockmann launched a cost savings programme in spring 2013. The programme will continue in 2014, focusing on long-term structural changes in order to adapt the cost structure to the slow growth and to improve performance.

The Group's capital expenditure is estimated to be lower than depreciation, and to amount to approximately EUR 60 million in 2014.

At comparable exchange rates, Stockmann expects the Group's revenue to increase slightly in 2014. Revenue growth is expected to take place in the second half of the year. Operating profit is expected to be somewhat higher than in 2013. The first-quarter operating result will be negative due to normal seasonal variation.

### **Corporate Governance Statement**

Stockmann plc's Corporate Governance Statement has been published on the company's website [stockmanngroup.com](http://stockmanngroup.com) and on the pages 30-35 in the Annual Report.

Helsinki, Finland, 12 February 2014

STOCKMANN plc  
Board of Directors

## Shares and share capital

The share capital of Stockmann plc is divided into Series A and Series B shares. Series A shares carry ten votes and Series B shares one vote. The par value of both series of shares is EUR 2.00 and the shares of both series entitle their holders to an equal dividend.

The company's shares are in the book-entry system and they are listed on NASDAQ OMX Helsinki. The trading code for the Series A share is STCAS and for the Series B share STCBV. The number of registered shareholders at 31 December 2013 was 59 475 (59 283 shareholders at 31 December 2012).

The company's market capitalization at 31 December 2013 was EUR 796.0 million (EUR 994.6 million at 31 December 2012).

## Share option programmes

Stockmann has two option programmes on-going; Loyal Customer share option programme 2012 for Loyal Customers and Key employee share option programme 2010 for key employees in the Stockmann Group.

## Price trend of shares and options

	<b>Closing prices Dec. 31, 2013 EUR</b>	<b>Closing prices Dec. 31, 2012 EUR</b>	<b>Change %</b>
Series A	11,06	14,08	-21,4
Series B	11,04	13,60	-18,8

## Turnover of shares and options 2013 on the Helsinki Stock Exchange

	<b>Number of shares</b>	<b>% of total shares outstanding</b>	<b>Average price EUR</b>	
Series A	446 890	1,5	5 592 287	12,51
Series B	14 564 311	35,1	183 017 894	12,50
Option 2010A	21 000		1 530	0,07
Total	15 032 201		188 611 711	

## Share capital, 31 December 2013

Series A	30 595 765 shares at EUR 2 e:	61 191 530 EUR
Series B	41 452 918 shares at EUR 2 e:	82 905 836 EUR
Total	72 048 683	144 097 366 EUR

## Loyal Customer share options 2012

The Annual General Meeting held on 15 March 2012 approved the Board of Directors' proposal on granting share options to Stockmann's Loyal Customers. In accordance with the resolution of the Annual General Meeting, a maximum of 2 500 000 share options will be granted without consideration to Stockmann's Loyal Customers whose purchases in companies belonging to the Stockmann Group together with purchases originating from parallel cards directed to the same account during the time period 1 January 2012–31 December 2013 amounts to a total of at least EUR 6 000. For purchases of at least EUR 6 000, a Loyal Customer will receive 20 share options without consideration. In addition, for

each full EUR 500 by which the purchases exceed EUR 6 000, the Loyal Customer will receive two additional share options. The share subscription period for the Loyal Customer share options will be 2–31 May 2014 and 2–31 May 2015.

Each share option entitles its holder to subscribe for one of Stockmann Series B shares. The subscription price is the volume-weighted average price of the Series B share on the Helsinki exchange during the period 1–29 February 2012, or EUR 16.36. The subscription price of each share subscribed for based on the share options will be decreased on the record date for each dividend payout by the amount of dividends decided after the commencement of the determination period for the subscription price and prior to the share subscription. The subscription price after the dividend payout proposed by the Board of Directors for the 2013 financial year is EUR 14.86 per share.

### **Key employee share options 2010**

The Annual General Meeting held on 16 March 2010 approved the Board of Directors' proposal on granting share options to key employees of the Stockmann Group. In accordance with the resolution of the Annual General Meeting, a total of 1 500 000 share options can be granted to the key employees of Stockmann and its subsidiaries. Of the share options 500 000 will be marked with the identifier 2010A, 500 000 with the identifier 2010B, and 500 000 with the identifier 2010C. The share subscription period for the share options 2010A will be 1 March 2013–31 March 2015, for share options 2010B 1 March 2014–31 March 2016 and for share options 2010C 1 March 2015–31 March 2017.

Each share option entitles its holder to subscribe for one Stockmann Series B share. The share subscription price relating to the share options 2010A shall be the trade volume weighted average price of the company's Series B shares on the Helsinki exchange during the period 1–28 February 2010 increased by 20 per cent or EUR 26.41, the share options 2010B the trade volume weighted average price of the company's Series B shares on the Helsinki exchange during the period 1–28 February 2011 increased by 10 per cent or EUR 25.72, and the share options 2010C the trade volume weighted average price of the company's Series B shares on the Helsinki exchange during the period 1–29 February 2012 increased by 10 per cent or EUR 18.00. The subscription price of each share subscribed for based on the share options will be decreased on the record date for each dividend payout by the amount of dividends decided after the commencement of the determination period for the subscription price and prior to the share subscription. The subscription prices after the dividend payout proposed by the Board of Directors for the 2013 financial year is EUR 23.37 per share for to the share options 2010A, EUR 23.40 per share for to the share options 2010B and EUR 16.50 per share for the share option 2010C.

### **Own shares**

At 31 December 2013, the company did not hold any of its own shares, and the Board of Directors had no valid authorisations to purchase shares of the company.

## Key figures

		2013	2012	2011	2010	2009**
Revenue	EUR mill.	<b>2 037,1</b>	2 116,4	2 005,3	1 821,9	1 698,5
Change on the previous year	%	<b>-3,7</b>	5,5	10,1	7,3	-9,6
Operating profit	EUR mill.	<b>54,4</b>	87,3	70,1	88,8	85,1
Change on the previous year	%	<b>-37,7</b>	24,6	-21,0	4,4	-30,2
Share of revenue	%	<b>2,7</b>	4,1	3,5	4,9	5,0
Profit before taxes	EUR mill.	<b>26,8</b>	54,9	35,7	74,2	61,1
Change on the previous year	%	<b>-51,2</b>	54,0	-51,9	21,5	-14,9
Share of revenue	%	<b>1,3</b>	2,6	1,8	4,1	3,6
Profit for the period		<b>48,4</b>	53,6	30,8	78,3	53,8
Share capital	EUR mill.	<b>144,1</b>	144,1	143,7	142,3	142,2
A share	EUR mill.	<b>61,3</b>	61,3	61,3	61,3	61,3
B share	EUR mill.	<b>82,8</b>	82,8	82,4	81,0	80,9
Dividends*	EUR mill.	<b>28,8</b>	43,2	35,9	58,3	51,2
Return on equity	%	<b>5,4</b>	6,1	3,5	9,0	7,0
Return on capital employed	%	<b>3,4</b>	5,1	4,1	5,8	5,8
Capital employed	EUR mill.	<b>1 725,8</b>	1 737,1	1 715,7	1 668,5	1 551,0
Capital turnover rate		<b>1,2</b>	1,2	1,2	1,1	1,1
Inventories rate		<b>3,7</b>	3,8	3,9	3,8	4,9
Equity ratio	%	<b>43,8</b>	42,8	42,2	43,1	44,1
Net gearing	%	<b>87,3</b>	90,9	95,3	87,7	72,2
Investment in fixed assets	EUR mill.	<b>56,9</b>	60,3	66,0	165,4	152,8
Share of net turnover	%	<b>2,8</b>	2,8	3,3	9,1	9,0
Interest-bearing debtors	EUR mill.	<b>43,2</b>	43,8	45,6	41,4	44,5
Interest-bearing liabilities	EUR mill.	<b>814,8</b>	848,5	862,5	813,3	789,2
Interest-bearing net debt	EUR mill.	<b>735,3</b>	768,6	783,7	735,1	568,3
Total assets	EUR mill.	<b>2 044,6</b>	2 087,1	2 062,7	2 053,8	1 925,7
Staff expenses	EUR mill.	<b>397,8</b>	405,1	390,0	361,9	327,4
Share of net turnover	%	<b>19,5</b>	19,1	19,4	19,9	19,3
Personnel, average	persons	<b>14 963</b>	15 603	15 964	15 165	14 656
Net turnover per person	EUR thousands	<b>136,1</b>	135,6	125,6	120,1	115,9
Operating profit per person	EUR thousands	<b>3,6</b>	5,6	4,4	5,9	5,8
Staff expenses per person	EUR thousands	<b>26,6</b>	26,0	24,4	23,9	22,3

\*) Board's proposal to the AGM. According to the proposal, a dividend of EUR 0.40 per share will be paid.

\*\*Financial year 2009 restated due to an error.

## Per-share data

		2013	2012	2011	2010	2009****
Earnings per share***	EUR	<b>0,67</b>	0,74	0,43	1,10	0,82
Earnings per share, diluted***	EUR	<b>0,67</b>	0,74	0,43	1,09	0,81
Equity per share	EUR	<b>12,42</b>	12,40	12,11	12,45	11,94
Dividend per share *	EUR	<b>0,40</b>	0,60	0,50	0,82	0,72
Dividend per earnings */***	%	<b>59,5</b>	80,6	116,2	74,5	88,0
Cash flow per share***	EUR	<b>1,74</b>	1,72	0,93	1,29	2,23
Effective dividend yield *	%					
A share		<b>3,6</b>	4,3	3,7	2,8	3,5
B share		<b>3,6</b>	4,4	4,2	2,9	3,8
P/E ratio of shares***						
A share**		<b>16,5</b>	18,9	31,9	26,7	25,0
B share**		<b>16,4</b>	18,3	28,0	25,7	23,2
Share quotation at 31 December	EUR					
A share		<b>11,06</b>	14,08	13,65	29,40	20,50
B share		<b>11,04</b>	13,60	11,98	28,30	19,00
Highest price during the period	EUR					
A share		<b>15,20</b>	19,50	29,85	31,50	22,00
B share		<b>14,92</b>	18,68	28,48	30,50	20,00
Lowest price during the period	EUR					
A share		<b>11,00</b>	13,40	13,44	20,60	10,68
B share		<b>10,75</b>	12,12	11,60	18,85	9,63
Average price during the period	EUR					
A share		<b>12,51</b>	15,57	18,71	26,97	16,11
B share		<b>12,50</b>	15,19	18,68	25,41	14,80
Share turnover	thousands					
A share		<b>447</b>	436	476	1 022	512
B share		<b>14 564</b>	11 308	15 402	14 582	17 290
Share turnover	%					
A share		<b>1,5</b>	1,4	1,6	3,3	1,7
B share		<b>35,1</b>	27,3	37,4	36,0	42,7
Market capitalization at 31 December	EUR mill.	<b>796,0</b>	994,6	911,8	2 047,1	1 396,7
Number of shares at 31 December	thousands	<b>72 049</b>	72 049	71 841	71 146	71 094
A share		<b>30 596</b>	30 628	30 628	30 628	30 628
B share		<b>41 453</b>	41 421	41 213	40 518	40 466
Weighted average number of shares***	thousands	<b>72 049</b>	71 945	71 496	71 120	65 676
A share		<b>30 601</b>	30 628	30 628	30 628	28 373
B share		<b>41 448</b>	41 318	40 868	40 493	37 303
Weighted average number of shares, diluted***	thousands	<b>72 049</b>	71 945	71 789	71 897	65 995
Total number of shareholders at 31 December	no	<b>59 475</b>	59 283	56 116	44 596	43 929

\*) Board's proposal to the AGM. According to the proposal, a dividend of EUR 0.40 per share will be paid.

\*\*) The dilution effect of options has been taken into account in the 2011 figures.

\*\*\*)2008 restated due to right issue in 2009.

\*\*\*\*Financial year 2009 restated due to an error.

**Definition of key figures**

Profit before taxes	=	Operating profit + financial income less financial expenses
Return on equity, %	= 100 x	$\frac{\text{Profit for the period}}{\text{Equity + minority interest (average over the year)}}$
Return on capital employed, %	= 100 x	$\frac{\text{Profit before taxes + interest and other financial expenses}}{\text{Capital employed}}$
Capital employed	=	Total assets less deferred tax liability and other non-interest-bearing liabilities (average over the year)
Capital turnover rate	=	$\frac{\text{Revenue}}{\text{Total assets less deferred tax liability and other non-interest-bearing liabilities (average over the year)}}$
Inventories rate		$\frac{365}{\text{Inventories turnover time}}$
Equity ratio, %	= 100 x	$\frac{\text{Equity + minority interest}}{\text{Total assets less advance payments received}}$
Net gearing, %	= 100 x	$\frac{\text{Interest-bearing liabilities less cash and cash equivalents}}{\text{Equity total}}$
Interest-bearing net debt	=	Interest-bearing liabilities less cash and cash equivalents less interest-bearing liabilities

**Definition of per-share data**

Earnings per share	=	$\frac{\text{Profit before taxes less minority interest less income taxes}}{\text{Average number of shares, adjusted for share issues 1)}}$
Equity per share	=	$\frac{\text{Equity less fund for own shares}}{\text{Number of shares on the balance sheet date}}$
Dividend per earnings, %	= 100 x	$\frac{\text{Dividend per share}}{\text{Earnings per share, adjusted for share issues 1)}}$
Cash flow per share	=	$\frac{\text{Cash flow from operating activities}}{\text{Average number of shares, adjusted for share issues 1)}}$
Effective dividend yield, %	= 100 x	$\frac{\text{Dividend per share}}{\text{Share quotation at 31 December, adjusted for share issues}}$
P/E ratio of shares	=	$\frac{\text{Share quotation at 31 December, adjusted for share issues}}{\text{Earnings per share, adjusted for share issues 1)}}$
Share quotation at 31 December	=	Share quotation on the balance sheet date
Highest share price during the period	=	Highest price of the company's shares during the period
Lowest share price during the period	=	Lowest price of the company's shares during the period
Average share price over the period	=	Share turnover in euro terms divided by the number of shares traded during the period
Share turnover	=	Quantitative share turnover, adjusted for share issues
Market capitalization at 31 December	=	Number of shares multiplied by the quotation for the respective share series on the balance sheet date

1) Without the own shares owned by the company

## Consolidated income statement

EUR mill.	Note	1/1–12/31/2013	1/1–12/31/2012
<b>REVENUE</b>	2	<b>2 037,1</b>	2 116,4
Other operating income	3	0,0	0,6
Materials and consumables	4	-1 046,9	-1 069,2
Wages, salaries and employee benefits expenses	5,23,28	-397,8	-405,1
Deprecation, amortisation and impairment losses	2,6,11,12	-74,4	-74,5
Other operating expenses	7	-463,6	-480,9
<b>Total expenses</b>		<b>-1 982,7</b>	-2 029,7
<b>OPERATING PROFIT</b>	2	<b>54,4</b>	87,3
Finance income	8	4,5	1,8
Finance expenses	8	-32,1	-34,2
<b>Total finance income and expenses</b>		<b>-27,6</b>	-32,4
<b>PROFIT BEFORE TAX</b>		<b>26,8</b>	54,9
Income taxes	9	21,6	-1,4
<b>PROFIT FOR THE PERIOD</b>		<b>48,4</b>	53,6
Profit for the period attributable to:			
Equity holders of the parent company		48,4	53,6
Non-controlling interest		0,0	0,0
<b>EPS, undiluted, adjusted for share issue, EUR</b>	10	<b>0,67</b>	0,74
<b>EPS, diluted, adjusted for share issue, EUR</b>	10	<b>0,67</b>	0,74

## Consolidated statement of comprehensive income

EUR mill.	Note	1/1–12/31/2013	1/1–12/31/2012
<b>PROFIT FOR THE PERIOD</b>		<b>48,4</b>	53,6
<b>Net other comprehensive income which will not be reclassified to profit or loss in subsequent periods</b>			
Remeasurement gains/losses on defined benefit pension liability	23	0,1	-0,1
<b>Net other comprehensive income which will be reclassified to profit or loss in subsequent periods</b>			
Exchange differences on translating foreign operations	9,18	-5,8	4,4
Cash flow hedges	9,18	0,5	-2,7
<b>Other comprehensive income for the period, net of tax</b>		<b>-5,3</b>	1,6
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>43,1</b>	55,2
Total comprehensive income attributable to:			
Equity holders of the parent company		43,1	55,2
Non-controlling interest		0,0	0,0

## Consolidated statement of financial position

EUR mill.	Note	12/31/2013	12/31/2012
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
<b>Intangible assets</b>			
Trademark		102,6	106,2
Intangible rights		38,8	25,3
Other intangible assets		3,1	0,4
Advance payments and construction in progress		24,0	25,4
Goodwill		793,2	818,8
<b>Intangible assets, total</b>	<b>11</b>	<b>961,8</b>	<b>976,1</b>
<b>Property, plant and equipment</b>			
Land and water		42,1	42,2
Buildings and constructions		440,4	456,9
Machinery and equipment		95,8	112,1
Modification and renovation expenses for leased premises		32,4	37,8
Advance payments and construction in progress		5,8	6,2
<b>Property, plant and equipment, total</b>	<b>12</b>	<b>616,5</b>	<b>655,1</b>
<b>Non-current receivables</b>	22,26	<b>0,5</b>	1,1
<b>Available-for-sale investments</b>	14	<b>7,9</b>	5,0
<b>Deferred tax asset</b>	21	<b>17,3</b>	16,1
<b>NON-CURRENT ASSETS, TOTAL</b>		<b>1 604,0</b>	<b>1 653,3</b>
<b>CURRENT ASSETS</b>			
Inventories	15	285,8	281,4
<b>Current receivables</b>			
Interest-bearing receivables		43,1	43,8
Income tax receivables		0,8	0,6
Non-interest-bearing receivables		76,9	71,8
<b>Current receivables, total</b>	<b>16</b>	<b>120,9</b>	116,2
<b>Cash and cash equivalents</b>	17	<b>33,9</b>	36,1
<b>CURRENT ASSETS, TOTAL</b>		<b>440,6</b>	<b>433,7</b>
<b>ASSETS, TOTAL</b>		<b>2 044,6</b>	<b>2 087,1</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital		144,1	144,1
Share premium fund		186,1	186,1
Invested unrestricted equity fund		250,5	250,5
Other funds		43,4	42,9
Translation reserve		4,1	10,0
Retained earnings		266,8	259,7
<b>Equity attributable to equity holders of the parent company</b>	<b>18</b>	<b>894,9</b>	<b>893,3</b>
<b>Non-controlling interest</b>			
<b>EQUITY, TOTAL</b>		<b>894,9</b>	<b>893,3</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	21	61,5	66,4
Non-current interest-bearing liabilities	19	469,4	502,9
Provisions for pensions	23	0,1	0,3
Non-current non-interest-bearing liabilities and provisions	22,26	0,4	0,4
<b>NON-CURRENT LIABILITIES, TOTAL</b>		<b>531,4</b>	<b>570,0</b>
<b>CURRENT LIABILITIES</b>			
<b>Current interest-bearing liabilities</b>	20	<b>345,4</b>	345,6
<b>Current non-interest-bearing liabilities</b>			
Trade payables and other current liabilities	20,26	269,4	275,7
Income tax liabilities	20	3,3	2,0
Current provisions		0,2	0,4
<b>Current non-interest-bearing liabilities, total</b>		<b>272,8</b>	278,1
<b>CURRENT LIABILITIES, TOTAL</b>		<b>618,3</b>	<b>623,8</b>
<b>LIABILITIES, TOTAL</b>		<b>1 149,7</b>	<b>1 193,8</b>
<b>EQUITY AND LIABILITIES, TOTAL</b>		<b>2 044,6</b>	<b>2 087,1</b>



## Consolidated cashflow statement

EUR mill.	Note	1/1–12/31/2013	1/1–12/31/2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the period		48,4	53,6
<b>Adjustments for:</b>			
Depreciation, amortisation and impairment losses		74,4	74,5
Gains (-) and losses (+) of disposals of fixed assets and other non-current assets		0,6	-0,4
Interest and other financial expenses		32,1	34,2
Interest income		-4,5	-1,8
Income taxes		-21,6	1,4
Other adjustments		0,5	2,1
<b>Working capital changes:</b>			
Increase (-) / decrease (+) in inventories		6,8	-12,8
Increase (-) / decrease (+) in trade and other current receivables		0,5	6,5
Increase (+) / decrease (-) in current liabilities		-4,8	-6,2
Interest expenses paid		-26,4	-33,3
Interest received from operating activities		4,3	0,4
Other financing items from operating activities		-1,8	-0,5
Income taxes paid from operating activities		17,0	6,0
<b>Net cash from operating activities</b>		<b>125,4</b>	<b>123,7</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of tangible and intangible assets		-61,1	-54,1
Proceeds from sale of tangible and intangible assets		0,0	1,5
Acquisition of subsidiaries, net of cash acquired		0,0	0,0
Dividends received from investing activities		0,2	0,2
<b>Net cash used in investing activities</b>		<b>-60,9</b>	<b>-52,4</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from share issue		0,0	1,6
Proceeds from current liabilities		324,0	268,1
Repayment of current liabilities		-316,2	-263,7
Proceeds from non-current liabilities		86,4	248,0
Repayment of non-current liabilities		-114,9	-287,3
Payment of finance lease liabilities		-4,7	-2,5
Dividends paid		-43,1	-35,9
<b>Net cash used in financing activities</b>		<b>-68,5</b>	<b>-71,7</b>
<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at the beginning of the period		36,1	33,2
Cheque account with overdraft facility		-3,9	-0,1
Cash and cash equivalents at the beginning of the period		32,2	33,2
Net increase/decrease in cash and cash equivalents		-4,0	-0,4
Effects of exchange rate fluctuations on cash held		-0,4	-0,6
Cash and cash equivalents at the end of the period		33,9	36,1
Cheque account with overdraft facility		-6,1	-3,9
Cash and cash equivalents at the end of the period	17	27,8	32,2

## Consolidated statement of changes in equity

EUR mill.	Share capital	Share premium fund	Hedging reserve*	Reserve for unrestricted equity	Other reserves	Translation differences	Retained earnings	Total	Non-controlling interest	Total
SHAREHOLDERS' EQUITY 1/1/2012	143,7	186,1	1,7	249,2	43,9	5,6	239,7	869,9	0,0	869,9
Dividend distribution 1							-35,9	-35,9		-35,9
Share issue 1	0,4							0,4		0,4
Options exercised 1							2,4	2,4		2,4
Share premium 1				1,2				1,2		1,2
Other changes 1							0,0	0,0		0,0
Comprehensive income for the period										
Profit for the period							53,6	53,6		53,6
Remeasurement gains/losses on defined benefit pension liability 3							-0,1	-0,1		-0,1
Exchange differences on translating foreign operations 2						4,4		4,4		4,4
Cash flow hedges 2			-2,7					-2,7		-2,7
Total comprehensive income for the period*			-2,7			4,4	53,5	55,2		55,2
SHAREHOLDERS' EQUITY 12/31/2012	144,1	186,1	-1,0	250,5	43,9	10,0	259,7	893,3	0,0	893,3
SHAREHOLDERS' EQUITY 1/1/2013	144,1	186,1	-1,0	250,5	43,9	10,0	259,7	893,3	0,0	893,3
Dividend distribution 1							-43,2	-43,2		-43,2
Options exercised 1							1,9	1,9		1,9
Other changes 1	0,0	0,0					-0,1	-0,1		-0,1
Comprehensive income for the period										
Profit for the period							48,4	48,4		48,4
Remeasurement gains/losses on defined benefit pension liability 3							0,1	0,1		0,1
Exchange differences on translating foreign operations 2						-5,8		-5,8		-5,8
Cash flow hedges 2			0,5					0,5		0,5
Total comprehensive income for the period*			0,5			-5,8	48,5	43,1		43,1
SHAREHOLDERS' EQUITY 12/31/2013	144,1	186,1	-0,5	250,5	43,9	4,1	266,8	894,9	0,0	894,9

\* Adjusted with deferred tax

1) Note 18

2) Notes 9,18

3) Note 23

## 1. Accounting policies used in the consolidated financial statements

### Basic information on the company

The Group's parent company is the Finnish public listed company Stockmann plc, which is domiciled in Helsinki; its registered address is Aleksanterinkatu 52, 00100 Helsinki. The Group's primary field of business is retailing. The parent company's shares are listed on the Helsinki exchange (NASDAQ OMX Helsinki Ltd). A copy of the consolidated financial statements is available at the internet address [www.stockmanngroup.fi](http://www.stockmanngroup.fi) or from the parent company.

### General

Stockmann's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), complying with the IAS and IFRS standards and IFRIC and SIC interpretations in force on 31 December 2012. In the Finnish accounting legislation and the regulations issued pursuant to it, International Financial Reporting Standards (IFRS) refer to the standards and their interpretations that have been approved for application in the EU in accordance with the procedure stipulated in EU regulation (EC) No 1606/2002. The notes to the consolidated financial statements are also in accordance with Finnish accounting and company legislation that supplements IFRS regulations. The information in the financial statements is based on original acquisition costs, unless stated otherwise in the accounting policies. The financial statements are presented in millions of euros.

As from 1 January 2013, the Group has applied the following new and revised standards and interpretations:

*Amendments to IAS 1 Presentation of Financial Statements*, effective in financial periods beginning on or after 1 July 2012. The major change is the requirement to group items of other comprehensive income as to whether or not they will be reclassified subsequently to profit or loss when specific conditions are met. The amendments have no impact on the consolidated financial statements.

*Amendment to IAS 19 Employee Benefits*, effective in financial periods beginning on or after 1 January 2013. The major changes are that all actuarial gains and losses are immediately recognised during the financial period in which they arise in other comprehensive income, in other words the so-called corridor approach is no longer applied, and the finance costs are measured on a net funding basis. In accordance with the transition requirements the amended standard has been applied retroactively. The unrecognised actuarial gains and losses, EUR – 0.1 million, have been recorded in the opening statement of financial position as of 1 January 2012. The comparative information for the financial year 2012 has been adjusted according to the amended standard and has changed somewhat from what was previously published.

*IFRS 13 Fair Value Measurement*, effective in financial periods beginning on or after 1 January 2013. The standard establishes a single source for measurement of fair value and related disclosure requirements. The standard does not extend the use of fair value accounting, but it provides guidance how fair value is to be measured where fair value is permitted or required by another standard. The standard expanded the information to be disclosed on the classes of assets not included in the financial assets measured at fair value. The new requirements somewhat expanded the information to be disclosed on the financial instrument in the consolidated financial statements.

*Improvements to IFRSs (Annual Improvements to IFRSs 2009-2011, May 2012)*, to be applied in financial periods beginning on or after 1 January 2013. In the Annual Improvements process, minor and non-urgent amendments to standards are compiled into a single package and issued in one package annually. The amendments cover a total of five standards. The amendments have no significant effect on the consolidated financial statements.

*Amendments to IFRS 7 Financial Instruments: Disclosures*, effective in financial periods beginning on or after 1 January 2013. The amendments clarify disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to general netting arrangements or corresponding agreements. The amendments have no effect on the consolidated financial statements.

## **Accounting policies requiring management's judgment and key sources of uncertainty concerning estimates**

In preparing the consolidated financial statements in accordance with IFRS, certain estimates and assumptions concerning the future need to be made. The estimates and assumptions presented in the financial statements are based on management's best knowledge at the financial statements date. These influence the amounts of assets and liabilities in the statement of financial position, the contingent items presented and the income and expenses for the financial period. In addition, judgment has to be used in applying the accounting policies used in the financial statements and estimates have to be made concerning, for example, depreciation periods, impairment testing, deferred tax assets and provisions. The actual amounts can differ from the estimates and assumptions. The key sources of uncertainty that pose the most significant risks of substantive changes in the carrying amounts of the Group's assets and liabilities during the next financial period are related to goodwill and Lindex trademark, as detailed in Note 11.

Material prior period errors, which relates to earlier financial years, are corrected retrospectively according to IAS 8 standard – Accounting Policies, Changes in Accounting Estimates and Errors. Materiality depends on the size and nature of the omission or misstatement of the item judged in the prevailing circumstances. The size or nature of the item, or a combination of both, could be the determining factor. The consolidated financial statements for 2013 do not include any retrospective adjustments of prior period errors.

## **Principles of consolidation**

The consolidated financial statements include the parent company, Stockmann plc, as well as all the companies in which the parent company holds, either directly or indirectly, over 50 per cent of the number of votes conferred by the shares or over which the parent company otherwise has control.

Inter-company share ownership within the Group has been eliminated using the acquisition method, according to which the consideration transferred and all the identifiable assets and liabilities of an acquired company are measured at fair values at the date of acquisition. Goodwill is recognized as the amount by which the combined total of the consideration transferred the non-controlling interests in the acquisition and the previous ownership interest exceeds the fair value of the acquired net assets. Intra-Group transactions, receivables, liabilities, unrealized margins and internal distribution of profits are eliminated in the consolidated financial statements. The profit or the loss as well as the comprehensive income for the financial period are distributed to the parent company's owners and to non-controlling interests. Non-controlling interests are presented as an individual item in the Group's equity. Acquired subsidiaries are presented in the consolidated financial statements from the moment that the Group gains control and divested subsidiaries up to the time the control ends. Changes in the parent company's ownership interest in a subsidiary, which do not lead to loss of control, are dealt with as equity transactions.

Joint ventures over which Stockmann has joint control with another party on the basis of an agreement or Articles of Association are accounted for using the proportionate consolidation method. Participations in mutual property management companies owned by Group companies have been treated as jointly controlled assets. The consolidated financial statements include Stockmann's proportionate share of a joint venture's assets, liabilities, income and expenses from the date when joint control has been obtained until it ends. Stockmann Group does not have associates.

## **Segment reporting**

The Stockmann Group has two reportable segments: the Department Store Division, which engages in the department store trade, specialty retailing and distance retailing, and Fashion Chain Division, which engages Seppälä and Lindex fashion retailing. The segment Unallocated includes functions serving the entire Group. The segment information presented by the Group is based on the management's internal reporting, in which the measurement principles for assets and liabilities accord with IFRS regulations. The highest level of operational decision-making is vested in the Group's CEO, who regularly examines the operational performance of the divisions.

## **Items denominated in foreign currency**

The consolidated financial statements are presented in euro, which is the functional and presentation currency of the Group's parent company.

Transactions in foreign currency are recognized in the amounts of each company's functional currency, applying the exchange rate of the date of the transaction. Receivables and liabilities at the financial statements date are translated at the exchange rate of the financial statements date. Exchange differences arising on translation are recognized through profit and loss.

The income statements and statements of other comprehensive income of foreign subsidiaries are translated into euro at the average rate during the financial period, and the statement of financial position at the rate at the financial statements date. The exchange rate difference from translating the income statement and other comprehensive income at the average rate and the statement of financial position at the financial statements date is recognized as a separate item in other comprehensive income. Translation differences arising from the elimination of the acquisition cost of foreign subsidiaries and from the translation of equity items accrued after their acquisition, and fair value changes in financial instruments designated as net investment hedges are recognized in the statement of comprehensive income. The goodwill arising from the acquisition of foreign operations and the fair value adjustments made in the carrying amounts of the assets and liabilities of such operations in connection with acquisition of foreign operations are treated as assets and liabilities of foreign operations and converted into euro using the exchange rates at the financial statements date. When a foreign subsidiary or joint venture is divested in whole or in part, the cumulative translation difference is recognized in the income statement as part of the gain or loss on disposal.

The euro has been considered the functional currency of the Russian subsidiaries and their financial statements have been translated into euros under IAS 21. The Group's management defines the Russian subsidiaries' sales and margin targets in euros, their profitability is monitored in euros and their economic outlooks are drawn up in euros. The Group acquires goods sold on the Russian market mainly in euros. Furthermore, a large part of these subsidiaries' fixed costs and property, plant and equipment acquisitions are tied to the euro or the US dollar. The Russian subsidiaries do not issue any equity instruments locally, they do not acquire any debt financing from the local financial markets and they do not make any independent investment or financing decisions that concern their operations.

Cumulative translation differences that accrued prior to the date of transition to IFRS are recognized in retained earnings in accordance with the exemption permitted under IFRS 1.

### **Income recognition principles and revenue**

Revenue from the sale of goods is recognized when the significant risks and benefits of ownership have been transferred to the buyer. Most of the Group's income comes from the retail sale of goods that are paid for with cash or credit card. Income is recognized at the time of sale.

For distance sales, provision is made for returns by creating a return accrual, which is based on experience and serves to adjust the sales figures, in the financial statements. Interest on one-time consumer credits in distance retailing is included in the selling price and recognized in revenue.

Income from Loyal Customer co-operation is recognized as revenue. An amount corresponding to the fair value of unused Lindex Club points accumulated by customers is recognized, with a deduction from sales, as short-term interest-free debt for customers. When a customer uses accumulated points as a payment at a Lindex store, the sale is recognised and the debt to the customer is removed from the statement of financial position. When a customer is awarded Loyal Customer points in Russia, the sale is recognized in full. An amount corresponding to the fair value of Stockmann Master Card points accumulated in Russia is recognized as a short-term interest-free debt for customers and as a short-term interest-free receivable from the loyal customer partner. When a customer uses accumulated points as a payment at Stockmann department stores in Russia, Stockmann recognises the fair value of points used as a sale and a reduction of a short-term debt to the customer. The debt and receivable are recognized in the same financial period as the related sale.

Income from services is recognized when the service has been rendered.

In calculating revenue, items such as indirect taxes and discounts granted as well as the expense corresponding to the fair value of Loyal Customer options have been deducted from sales.

## **Other operating income**

Among items included in other operating income are gains on the sale of property, plant and equipment as well as income received on the sale of a business.

## **Other operating expenses**

Other operating expenses include losses on the sale of property, plant and equipment as well as other expenses related to the actual sale of goods and services. Interest income received on interest-bearing trade receivables is recognized as a reduction in other operating expenses.

## **Employee benefits**

### **Pension obligations**

Pension plans are classified as defined benefit and defined contribution plans. In Finland and most of the Stockmann Group's other countries of operation, statutory and voluntary pension plans are defined contribution plans.

Payments for defined contribution plans are made to a pension insurance company. Payments made for defined contribution plans are recognized as expenses in the income statement for the financial period to which the debit relates.

Defined benefit pension plans are based on the calculations of authorized actuaries. The calculations are based on assumptions about the discount rate, expected returns on plan assets, future pay increases, inflation and the personnel age structure. Estimates made on the basis of these assumptions affect the total amount of the pension obligation and the plan assets. The pension expenditure based on the work performance during the period and the net interest of the net debt of the defined benefit plan are recognized in the income statement and presented as expenses arising from employee benefits. The items resulting from re-evaluating the net debt of the defined benefit plan, such as, actuarial gains and losses, and the return on assets belonging to the plan, are recognised in the statement of comprehensive income during the financial period in which they arise. The pension plan assets are deducted from the present value of the pension obligation measured at the fair value at the financial statements date. The net debt of the defined benefit pension plan is entered in the statement of financial position. The expenses based on previous work performance are recognised as an expense in the income statement, either when the plan is transferred, or when the associated restructuring expenses or benefits associated with the termination of the employment relationship are recorded, depending on which takes place first.

### **Other long-term employee benefits**

The Stockmann Group operates a length of service reward system, which comes under other long-term employee benefits. Employees who complete the specified years of service are entitled to extra paid leave. The present value of the obligation arising from this long-term employee benefit at the close of the reporting period is recognized as a liability in the statement of financial position.

### **Equity compensation benefits and share-based payments**

Share options granted for the Group's key employees and Loyal Customers are measured at fair value at the time they are granted and recognized as an expense in the income statement in even installments during the vesting period. The expense corresponding to the fair value of share options granted is recognized in employee benefit expenses in respect of key employee options and in revenue as discount in accordance with IAS 18.10 in respect of Loyal Customer options, and a corresponding amount is recognized in equity. The fair value of options granted is determined using the Black-Scholes model, which takes into account the market conditions affecting the pricing of share options at the grant date. In addition, the number of share options to be exercised and the estimated vesting period are estimated finally at the grant date. The amount to be recorded as an expense is adjusted subsequently in line with the number of share options finally granted.

When share options are exercised, cash payments received from share subscriptions with options granted are recognized, adjusted for any transaction costs, in the share capital and the reserve for invested unrestricted equity, in accordance with the terms of each scheme.

Group management has a share bonus system, the expenses of which are recognized in the income statement as employee benefit expenses for the financial period in which the share bonus has vested on the basis of the profit earned in the period.

## Income taxes

Tax expenses in the income statement comprise taxes based on taxable income for the period and deferred taxes. Taxes based on taxable income for the period are calculated on taxable income using the tax rate that is in force in the country in which the particular Group company is based. The amount of tax is adjusted for any taxes concerning previous periods. Income taxes are presented in the income statement unless the transaction relating to the taxes is presented directly in equity or in the statement of comprehensive income, in which case the tax effect is also stated in equity or in the statement of comprehensive income.

Deferred taxes are calculated on temporary differences between the carrying amount and the tax base. The largest temporary differences arise from the differences between the carrying amounts and tax bases of property, plant and equipment, unused tax losses, adjustments based on fair value of assets and liabilities in business combinations and the fair value measurement of derivative contracts. Deferred taxes are not recognized on goodwill impairment, which is nondeductible in taxation. Deferred taxes have been calculated by applying the tax rates that are laid down by law or have been accepted in practice by the financial statements date.

Deferred tax liabilities are recognized in full, except on the profit made by the Estonian subsidiary, because the Group is able to determine when a reversal of the temporary difference will occur, and no such reversal will occur in the foreseeable future. Deferred tax assets are recognized to the extent that it is probable that taxable profit will arise in the future against which the deferred tax asset can be utilized.

The Group deducts deferred tax assets and liabilities from each other in the event that it has a legally enforceable right to set off tax assets against liabilities, based on taxable income for the period, and the deferred tax assets and liabilities are associated with income taxes collected by the same tax authority, either from the same taxable entity or a different taxable entity, which is going to set off the tax assets against liabilities based on taxable income for the period or realize the receivables and pay the debts at the same time.

## Provisions

A provision is recognized when the Group has a legal or factual obligation as a result of a past event and it is probable that a payment obligation will be realized and the amount of the obligation can be estimated reliably.

## Goodwill and other intangible assets

The Group's goodwill is the difference between the consideration transferred, measured at fair value, and the identifiable net assets acquired, measured at fair value. Neither goodwill nor the Lindex brand are amortized. The brand is deemed to have an indefinite useful life due to high brand awareness. The goodwill and the brand are measured at original acquisition cost less impairment losses. Other intangible assets include customer relationships, which are measured at fair value at the time of business combination, as well as intangible rights and software that are measured at original acquisition cost. Other intangible assets are amortized on a straight-line basis over their estimated useful lives.

The amortization periods of intangible assets are:

customer relationships	5 years
software	5–10 years
other intangible rights	5 years

Subsequent expenditure related to intangible assets is capitalized only if the economic benefits of the asset increase as a result of such expenditure. Otherwise, the costs are recorded as expenses in the income statement when they are incurred.

## Property, plant and equipment

Land areas, buildings, machinery, and equipment comprise the bulk of property, plant and equipment. Revaluations included in land areas and buildings were part of the carrying amount under the previous

accounting standards and have been deemed to constitute part of the acquisition cost under IFRS. Property, plant and equipment also includes modification and renovation costs of leased premises that are due, for example, to the finishing work on the interiors of commercial premises located in leased buildings.

Property, plant and equipment are measured in the statement of financial position at their original acquisition cost less accumulated depreciation and any impairment losses. The acquisition cost of self-constructed assets includes materials and direct labor. If the item of property, plant and equipment is comprised of several components having useful lives of differing length, the components are treated as separate items. Subsequent costs concerning the item are recognized as a part of the acquisition cost when they increase the future useful life of the asset. Other costs, such as normal maintenance and repair measures, are recognized in the income statement as expenses when they are incurred.

Straight-line depreciation is recognized on property, plant and equipment in accordance with each item's useful life. Land areas are not depreciated.

The depreciation periods for property, plant and equipment are:

buildings and structures	20–50 years
modification and renovation costs of leased premises	5–20 years
machinery and equipment	4–10 years
IT equipment and lightweight store fixtures and equipment	3–5 years

### **Borrowing costs**

If preparing an asset item for its intended use necessarily requires a significantly long period of time after its acquisition, construction or manufacture, any borrowing costs directly arising from the asset item are included in the acquisition cost of the asset item. Other borrowing costs are recognized as expenses.

### **Impairment of assets**

The carrying amounts of asset items are assessed regularly to determine whether there is any indication that an asset may be impaired. If there are indications of impairment, the recoverable amount of the asset is determined. Goodwill and the brand are allocated to cash-generating units and they are tested annually to determine any impairment. An impairment loss is recognized when the value of the asset item or cash-generating unit in the statement of financial position is greater than its recoverable amount. Impairment losses are recognized in the income statement.

An impairment loss on a cash-generating unit is allocated first as a reduction to the goodwill of the cash generating unit and thereafter it is allocated to reduce the unit's other asset items on an equal percentage basis.

The recoverable amount of intangible and tangible assets is defined as the higher of its fair value less costs to sell and its value in use. In determining value in use, the estimated future cash flows are discounted to their present value based on discount rates that reflect the average capital costs before taxes of the cash generating unit in question.

An impairment loss on property, plant and equipment as well as other intangible assets, except for goodwill, is reversed if a change has occurred in the estimates used in determining the recoverable amount of the asset item. An impairment loss is not, however, reversed beyond what the carrying amount of the asset would have been if no impairment loss had been recognized in previous years.

### **Leases**

In accordance with IAS 17 Leases, lease agreements in which the Group assumes substantially all the risks and rewards incident to ownership of the asset are classified as finance lease agreements. Assets acquired under finance lease agreements, less accumulated depreciation, are recognized in property, plant and equipment or in intangible assets, and the obligations under the agreement are recognized in interest bearing liabilities. Lease payments under a finance lease agreement are split between interest expenses and a reduction in lease liabilities.

Finance lease agreements in accordance with IAS 17 are recognized in the statement of financial position and they are measured at an amount which, at the inception of the lease, is equal to the fair value of the



leased asset or, if lower, at the present value of the minimum lease payments. Depreciation according to plan is recognized on assets obtained through a finance lease, and any impairment losses are recognized. Items of property, plant and equipment are depreciated according to the Group's depreciation periods, or, if shorter, over the lease term.

Lease agreements in which the economic risks and rewards incident to ownership remain with the lessor are treated as other leases. Lease payments received and paid on the basis of other lease agreements are recognized as income or expenses in the income statement.

## **Inventories**

Inventories are measured at the lower of acquisition cost and net realizable value. In normal operations the net realizable value is the estimated obtainable selling price less the estimated costs incurred in bringing the product to a finished condition and the estimated necessary selling costs.

The value of inventories is determined using the weighted average cost method or the retail method permitted under IAS 2, and it includes all the direct costs of the purchase. All the divisions use the weighted average cost method for measuring inventories. In the valuation of items with minor unit price Department Store Division in Finland also uses the retail method referred to in IAS 2.

## **Assets held for sale and discontinued operations**

Asset items under the heading 'Non-current assets held for sale and discontinued operations' are measured, in accordance with IFRS 5, at the lower of their carrying amount and fair value less estimated selling costs. When an asset item is classified within non-current assets as held for sale or a disposal group, it is not depreciated. A non-current asset held for sale or asset items included in a disposal group are presented in the statement of financial position separately from other asset items. Likewise, liabilities connected with a disposal group are presented as a separate item in the statement of financial position.

A discontinued operation is a part of the Group that has been disposed of or classified as held for sale and that fulfills the criteria for classification as a discontinued operation in accordance with IFRS 5. The earnings of discontinued operations are presented as a separate item in the statement of comprehensive income.

At the financial statements date, the Group did not have discontinued operations or non-current assets held for sale in the meaning of IFRS 5.

## **Financial instruments**

Financial instruments are classified under IAS 39 into the following groups: loans and other receivables; financial assets and liabilities at fair value through profit or loss; available-for-sale financial assets and other liabilities.

Loans and other receivables are non-derivative financial assets whose related payments are fixed or determinable and which are not quoted in active markets. They are measured at amortized cost. They are included in either current or non-current assets in the statement of financial position, as appropriate. Loans or other receivables are deemed non-current assets if they mature after more than 12 months. Trade receivables are recognized at their fair value in the statement of financial position on initial recognition. The amount of doubtful accounts is estimated on the basis of experience. Doubtful accounts are recognized in the income statement as an impairment loss by recognizing the difference between the original value of each group of receivables and the discounted recoverable amount.

All investments except for shares classified as available-for-sale financial assets are included in the group 'financial assets at fair value through profit or loss'. The items in the group are measured at fair value using market prices on the financial statements date, present value methods for cash flows or other appropriate valuation models. Changes in fair value are recognized through profit or loss.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in another group. They are included in non-current assets, except those which are to be held for less than 12 months from the financial statements date, in which case they are included in current assets. This category includes the Group's investments in shares, and they are measured at fair value. The fair value of publicly quoted shares is the market price at the financial statements date. Changes

in fair value are recognized in the fair value reserve under equity in the statement of comprehensive income. Changes in fair value are transferred from equity to the income statement when the investment is sold or when its value has declined such that an impairment loss must be recognized on the investment. Unlisted shares are stated at cost if their fair values cannot be measured reliably. If the fair value of an investment in shares is substantially or permanently lower than the acquisition cost, an impairment loss is recognized.

Purchases and sales of financial assets are recognized at the trade date, which is the day when the company made a commitment to purchase or sell the asset item. An item belonging to financial assets is derecognized from the statement of financial position when the company relinquishes the contractual rights to the item, the rights expire or the company loses control over the item.

Interest-bearing liabilities are classified as other liabilities and are measured at fair value based on the consideration originally recognized in the accounts. Transaction costs are included in the original carrying amount of interest-bearing liabilities. Subsequently, interest-bearing liabilities are measured at amortized cost using the effective interest method. Non-current liabilities fall due in 12 or more months and current liabilities have a maturity of less than 12 months.

Derivative financial instruments are classified as financial assets or liabilities at fair value through profit or loss, and changes in their fair value are recognized through profit or loss, except for derivatives to which hedge accounting for cash flow hedges is applied and which meet the criteria for hedge accounting defined in IAS 39.

The fair value of interest rate swaps is defined on the basis of the present value of future cash flows, applying market prices at the financial statements date. Changes in the fair value of interest rate swaps are recognized in financial income and expenses in the income statement. At the financial statements date, the Group did not have any outstanding interest rate swaps.

The fair value of currency forwards and currency swaps is calculated by measuring them at their market prices at the financial statements date. The fair value of currency options is calculated using the Black-Scholes model. The results of the measurement of currency derivatives are recognized through profit or loss, except for currency derivatives to which hedge accounting for cash flow hedges as defined in IAS 39 is applied.

Hedge accounting is applied to certain currency derivatives that are used in hedging forecast foreign currency denominated sales and purchases and which meet the hedge accounting requirements of IAS 39. The hedged cash flow must be highly probable and ultimately affect profit or loss. Changes in the fair value of derivative contracts taken out to hedge cash flows are recognized in the statement of comprehensive income and presented in the fair value reserve under equity, and any ineffective component is recognized through profit or loss. Cumulative changes in fair value in equity are recognized in items adjusting sales or purchases through profit or loss in the same period as that in which the forecast transactions covered by hedge accounting are recognized in the income statement. If a hedged cash flow is no longer expected to be realized, the related fair value change that has been recognized for the hedging instrument directly to equity is transferred to the income statement.

Hedge accounting is applied to certain foreign currency-denominated loans that hedge foreign currency denominated net investments in foreign operations. Changes in the fair value of the hedging instrument are recognized in the statement of comprehensive income and presented in the translation difference in shareholders' equity. Gains and losses from the hedging of net investments that are recognized in translation differences are transferred to the income statement when the net investment is disposed of in full or in part.

The hedging relationship between the hedged item and the hedging instrument is documented at the inception of the hedge. The documentation includes identification of the hedging instrument and the hedged item, the nature of the risk being hedged, the objectives of risk management and calculations of hedge effectiveness. The hedging relationship must be effective, and the effectiveness is reviewed both at the inception of the hedge and subsequently. Effectiveness testing is carried out at each financial statements date.

## Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, current bank deposits as well as other current, highly liquid investments with a maturity of no more than three months at the date of acquisition. The fair values of cash and cash equivalents are assumed to approximate to their carrying amounts because of their short maturities.

The account with an overdraft facility, which is payable on demand and is part of the Group's cash management, is presented as a part of cash and cash equivalents in the cash flow statement.

## Treasury shares

If Stockmann Plc or its subsidiaries buy back the company's own shares, equity is reduced by an amount equal to the consideration paid, including transaction costs, less tax. If the acquired shares are sold or transferred as consideration, the consideration received, less tax, is recognized in equity.

## Dividends payable

The dividend payout proposed by the Board of Directors has not been recognized in the financial statements. Dividends are recognized on the basis of a resolution passed by a general meeting of the shareholders.

## Application of new or revised IFRS standards and interpretations

The Group adopts each standard and interpretation as from the date it becomes effective or, if the effective date is not the first day of the financial period, as from the beginning of the next financial period. IASB has published the following new or revised standards and interpretations, which the Group has not yet applied.

IFRS 10 *Consolidated Financial Statements and amendments made to the standard*, effective in financial periods beginning on or after 1 January 2014. In accordance with existing principles, the standard identifies the concept of control as the determining factor when deciding whether an entity should be incorporated within the consolidated financial statements. The standard also provides additional guidance on the definition of control when it is difficult to assess. The standard is not expected to have an effect on the consolidated financial statements.

IFRS 11 *Joint Arrangements and amendments made to the standard*, effective in financial periods beginning on or after 1 January 2014. The standard refers to the accounting principles of joint arrangements and focuses on the rights and obligations arising from joint arrangements rather than on the legal form of such arrangements. There are two types of joint arrangement: joint operations and joint ventures. A single method of accounting for reporting joint ventures, i.e. the equity method, must be used from now on and the previous proportional consolidation is no longer allowed. The Stockmann Group has joint ventures that are recognised using proportional consolidation that will in future be consolidated using the equity method. The consolidation method amendment is not expected to have a significant effect on the consolidated financial statements.

IFRS 12 *Disclosure of Interests in Other Entities* and amendments made to the standard, effective in financial periods beginning on or after 1 January 2014. The standard includes the disclosure requirements of all forms of interests in other entities, including associates, joint arrangements, structured entities and other off-balance-sheet vehicles. The new standard expands the information to be disclosed by the Group on its interests in other entities. The standard is not expected to have a significant effect on the consolidated financial statements.

IAS 27 *Separate Financial Statements* and amendments made to the standard, effective in financial periods beginning on or after 1 January 2014. The revised standard sets out the requirements for separate financial statements that remained after the control requirements were included in the revised IFRS 10. The revised standard has no effects on the consolidated financial statements.

IAS 28 *Investments in Associates and Joint Ventures*, effective in financial periods beginning on or after 1 January 2014. As a result of the publication of IFRS 11, the revised standard sets out the requirements for the treatment of associates and joint ventures using the equity method. The revised standard is not expected to have a significant effect on the consolidated financial statements.

Amendments to IAS 32 *Financial Instruments: Presentation*, effective in financial periods beginning on or after 1 January 2014. The amendments clarify the application of presentation requirements for offsetting of

financial assets and liabilities in the statement of financial position and provide more related application guidance. The amendments are not expected to have a significant effect on the consolidated financial statements.

Amendments to IAS 36 *Recoverable Amounts Disclosures for Non-Financial Assets*, effective in financial periods beginning on or after 1 January 2014. To the standard have been added disclosure requirements, which apply to the recoverable amount of money based on fair value less costs of disposal. The amended standard is not expected to have a significant effect on the consolidated financial statements.

Amendments to IAS 39 *Financial Instruments: Novation of Derivatives and Continuation of Hedge Accounting*, effective in financial periods beginning on or after 1 January 2014. The amendment provides an exception to the requirement to discontinue the hedge accounting in certain circumstances when the counterparty of a hedging instrument changes as a result of an amendment to the liquidation procedures of the instrument in question. The amendments are not expected to have an effect on the consolidated financial statements.

IFRIC 21 *Levies*, effective in financial periods beginning on or after 1 January 2014. The interpretation clarifies the accounting treatment of levies. The liability for a levy is recognised when, as defined in legislation, the activity that triggers the payment of the levy takes place. IFRIC 21 does not include income taxes, fines and other penalties, and other payments within the scope of the other IFRS. The interpretation is not expected to have a significant effect on the consolidated financial statements.

Amendments to IAS 19 *Employee Benefits – Defined Benefit Plans - Employee Contribution*, effective in financial periods beginning on or after 1 July 2014. The amendments clarify the accounting treatment in respect of defined benefit plans that involve contributions from employees or third parties towards the cost of benefits. The amendments to the standard have no effect on the consolidated financial statements.

Improvements to IFRSs (Annual Improvements to IFRSs 2011-2013 and 2010-2012, December 2013), effective in financial periods beginning on or after 1 July 2014. The Annual Improvements process provides a mechanism for minor and non-urgent amendments to standards to be grouped in a single package annually. The 2011-2013 amendments cover four standards and the 2010-2012 amendments cover seven standards. The impacts of the amendments vary by standard, but they are not significant.

IFRS 9 *Financial instruments and subsequent amendments*. The implementation of this standard has been postponed from the date previously stated, 1 January 2015. The date of entry into force will be determined in due course. Standard is the first step of the originally three-phase project to replace the current IAS 39 *Financial instruments: Recognition and Measurement*. The first phase of amendments, which was published in November 2009, addresses the classification and measurement of financial assets. Based on measurement, financial assets will be classified into two main groups: financial assets at amortised cost and financial assets at fair value. Classification depends on the entity's business model and the characteristics of contractual cash flows. The amendments published in October 2010 deal with the classification and measurement of financial liabilities, and the standard retains most of related IAS 39 requirements. The unfinished parts of IFRS 9, impairment of financial assets, are still work in progress. The IASB has also suggested limited amendments to the classification and measurement principles of financial assets. The macro hedge accounting phase has been apart from IFRS 9 and made into a separate project. As the IFRS 9 project is still in progress, it is not yet possible to present an estimate of the impact of the standard on the consolidated financial statements.

## **2. Segment information**

### **Operating segments**

The Stockmann Group's reportable segments, the Department Store Division and the Fashion Chain Division, are divisions of the Group that are managed and monitored as separate units selling different products and services. The segment information presented by the Group is derived from the management's internal reporting, in which management's assessment of the profitability of the segments is based on monitoring of the segments' operating profits, and in which the measurement principles for assets and liabilities accord with IFRS regulations.

### **Department Store Division**

Stockmann has 16 department stores in four countries. These department stores offer an extensive and high-quality product range, a good price/quality ratio and excellent customer service expertise in a high-quality international shopping environment. The Department Store Division also includes the Hobby Hall distance retailing business, the Academic Bookstores, the Stockmann Beauty stores, and the online stores of Stockmann, Hobby Hall and the Academic Bookstore in Finland.

### **Fashion Chain Division**

Lindex and Seppälä, the store chains in the Fashion Chain Division, have a total of 688 stores in 16 countries. Lindex's mission is to offer inspiring fashion at the right price. Its range of women's wear, lingerie, children's wear and cosmetics consists of a variety of concepts. Seppälä offers a wide variety of international fashion for women, men and children. Seppälä's mission is to encourage and inspire people to enjoy fashion in a way that suits their own style.

### **Information concerning geographical regions**

In addition to Finland, the Group operates in three geographical regions: Sweden and Norway, the Baltic countries and Central Europe, and Russia and Ukraine.

## Segment information, Group

### Operating segments, EUR mill.

Revenue	1.1.–31.12.2013	1.1.–31.12.2012
Department Store Division	1 232,6	1 302,7
Fashion Chain Division	805,2	814,0
<b>Segments, total</b>	<b>2 037,8</b>	<b>2 116,7</b>
Unallocated	-0,8	-0,3
<b>Group, total</b>	<b>2 037,1</b>	<b>2 116,4</b>

Operating profit	1.1.–31.12.2013	1.1.–31.12.2012
Department Store Division	26,0	48,0
Fashion Chain Division	38,6	50,0
<b>Segments, total</b>	<b>64,6</b>	<b>98,0</b>
Unallocated	-10,2	-10,6
<b>Operating profit, Group, total</b>	<b>54,4</b>	<b>87,3</b>
Financial income	4,5	1,8
Financial expenses	-32,1	-34,2
<b>Profit before taxes, Group total</b>	<b>26,8</b>	<b>54,9</b>

Depreciation and amortisation	1.1.–31.12.2013	1.1.–31.12.2012
Department Store Division	42,2	42,0
Fashion Chain Division	29,7	31,2
<b>Segments, total</b>	<b>71,8</b>	<b>73,2</b>
Unallocated	2,6	1,4
Eliminations		
<b>Group, total</b>	<b>74,4</b>	<b>74,5</b>

Investments, gross	1.1.–31.12.2013	1.1.–31.12.2012
Department Store Division	26,9	30,4
Fashion Chain Division	24,7	22,0
<b>Segments, total</b>	<b>51,5</b>	<b>52,3</b>
Unallocated	5,4	7,9
<b>Group, total</b>	<b>56,9</b>	<b>60,3</b>

Assets	1.1.–31.12.2013	1.1.–31.12.2012
Department Store Division	868,0	898,8
Fashion Chain Division	1 124,2	1 149,2
<b>Segments, total</b>	<b>1 992,2</b>	<b>2 048,0</b>
Unallocated	52,1	39,1
<b>Group, total</b>	<b>2 044,3</b>	<b>2 087,1</b>

### Information on market areas, EUR mill.

Revenue	1.1.–31.12.2013	1.1.–31.12.2012
Finland 1)	983,2	1 048,2
Sweden and Norway 2)	548,2	537,9
Baltic countries and Central Europe 1) *	159,9	158,5
Russia and Ukraine 1)	345,7	371,8
<b>Group, total</b>	<b>2 037,1</b>	<b>2 116,4</b>
Finland, %	48,27	49,53
International operations, %	51,73	50,47

Operating profit	1.1.–31.12.2013	1.1.–31.12.2012
Finland 1)	-0,9	23,7
Sweden and Norway 2)	59,0	56,5
Baltic countries and Central Europe 1) *	2,7	6,4
Russia and Ukraine 1)	-6,4	0,8
<b>Group, total</b>	<b>54,4</b>	<b>87,3</b>
Finland, %	1,66	27,15
International operations, %	101,66	72,85

Non-current assets	1.1.–31.12.2013	1.1.–31.12.2012
Finland 1)	480,2	475,9
Sweden and Norway 2)	850,4	883,3
Baltic countries and Central Europe 1) *	40,7	43,1
Russia and Ukraine 1)	215,1	235,1
<b>Group, total</b>	<b>1 586,4</b>	<b>1 637,3</b>
Finland, %	30,27	29,07
International operations, %	69,73	70,93

1) Department Store Division, Fashion Chain Division

2) Fashion Chain Division

\*) Estonia, Latvia, Lithuania, Czech Republic, Slovakia, Poland

### 3. Other operating income

EUR mill.	2013	2012
Gain on sale of property, plant and equipment	0,0	0,6
<b>Total</b>	<b>0,0</b>	<b>0,6</b>

### 4. Gross margin

EUR mill.	2013	2012
Revenue	2 037,1	2 116,4
Raw material and consumables used	1 052,9	1 081,9
Change in inventories	-6,0	-12,8
<b>Gross margin</b>	<b>990,1</b>	<b>1 047,2</b>
<b>Gross margin, % of revenue</b>	<b>48.6%</b>	<b>49.5%</b>

### 5. Wages, salaries and other employee benefits expenses

EUR mill.	2013	2012
Wages and salaries	313,1	319,4
Pension expenses, defined contribution plans	40,4	41,6
Pension expenses, defined benefit plans		0,1
Other employee benefits expenses	43,6	42,5
Expenses for share option benefits	0,7	1,6
<b>Total</b>	<b>397,8</b>	<b>405,1</b>

At most of the subsidiaries abroad, the pension expenses of defined contribution pension plans are included in other employee benefits expenses. Information on management's employee benefits is given in note 28. Related party transactions.

### 6. Depreciation, amortization and impairment losses

EUR mill.	2013	2012
Intangible assets	9,1	7,1
Buildings and constructions	14,9	14,7
Machinery and equipment	38,6	39,9
Machinery and equipment, finance lease	3,8	1,6
Modification and renovation costs for leased premises	8,1	11,1
<b>Depreciation and amortization, total</b>	<b>74,4</b>	<b>74,5</b>

### 7. Other operating expenses

EUR mill.	2013	2012
Site expenses	270,0	280,5
Marketing expenses	69,6	73,8
Goods handling expenses	28,1	25,2
Credit losses	1,1	1,4
Voluntary social security	7,8	8,6
Interest income from trade receivables	-0,4	-0,4
Other costs	87,4	92,0
<b>Total</b>	<b>463,6</b>	<b>480,9</b>

## Fees to the auditors

EUR mill.	2013	2012
Auditing	0,7	0,7
Certificates and statements		0,0
Tax advisory	0,2	0,3
Other services	0,0	0,2
<b>Total</b>	<b>1,0</b>	<b>1,1</b>

## 8. Finance income and expenses

### Finance income

EUR mill.	2013	2012
Dividend income on available-for-sale investments	0,2	0,2
Interest income on bank deposits and other investments*	4,3	0,4
Gain on sale of available-for-sale investments	0,0	0,0
Change in fair value of financial assets at fair value through profit or loss	0,0	0,4
Foreign exchange differences	0,0	0,8
<b>Total</b>	<b>4,5</b>	<b>1,8</b>

\*) EUR 3.5 million of interest income refers to Lindex tax refund.

### Finance expenses

EUR mill.	2013	2012
Interest expenses on financial liabilities measured at amortized cost	-30,6	-33,5
Loss on disposals of assets available for sale	-0,1	-0,1
Change in fair value of financial assets at fair value through profit or loss		-0,6
Foreign exchange differences	-1,5	0,0
<b>Total</b>	<b>-32,1</b>	<b>-34,2</b>

### Finance income and expenses, total

EUR mill.	2013	2012
<b>Finance income and expenses, total</b>	<b>-27,6</b>	<b>-32,4</b>

## 9. Income taxes

EUR mill.	2013	2012
Income taxes for the financial period	-7,3	-7,0
Income taxes from previous financial periods	22,7	0,0
Change in deferred tax liability/assets	6,2	5,6
<b>Total</b>	<b>21,6</b>	<b>-1,4</b>



## Reconciliation between the income tax expense in the income statement and the Group's tax expense at the Finnish tax rate of 24.5%.

EUR mill.	2013	2012
Profit before taxes	26,8	54,9
Income taxes at current tax rate	-6,6	-13,5
Income taxes from previous financial periods	22,7	0,0
Tax-exempt income	6,2	15,8
Differing tax rates of foreign subsidiaries	2,9	1,3
Non-deductible expenses	-4,7	-6,0
Unrecognised deferred tax assets from losses intaxation	-3,8	-4,7
Affect of change in the tax base to deferred taxes	5,0	5,8
<b>Income taxes in the income statement</b>	<b>21,6</b>	<b>-1,4</b>

In Finland corporate tax base changed in the beginning of year 2014 from 24.5 % to 20.0 %. The effect of tax base change in Finland to deferred taxes of the Group was 5.0 million euro in financial year 2013.

In Sweden corporate tax base changed in the beginning of year 2013 from 26.3 % to 22 %. The effect of tax base change in Sweden to deferred taxes of the Group was 5.8 million euro in financial year 2012.

Lindex received tax refund EUR 22.8 million resulted from the Swedish and German tax authorities' decision to eliminate the Lindex Group's double taxation in the tax years 1999 - 2005.

## Tax effects relating to components of other comprehensive income

EUR mill.	2013			2012		
	Before-tax	Tax (expense) benefit	Net-of-tax	Before-tax	Tax (expense) benefit	Net-of-tax
Exchange differences on translating foreign operations	-5,2	-0,6	-5,8	3,8	0,7	4,4
Remeasurement gains/losses on defined benefit pension liability	0,2	-0,1	0,1	-0,1	0,0	-0,1
Cash flow hedges	0,6	-0,1	0,5	-3,7	1,0	-2,7
<b>Total</b>	<b>-4,4</b>	<b>-0,8</b>	<b>-5,3</b>	<b>0,0</b>	<b>1,7</b>	<b>1,6</b>

## 10. Earnings per share

Earnings per share are calculated by dividing the profit for the period attributable to the parent company's shareholders by the weighted average number of shares outstanding during the financial period. The outstanding shares do not include treasury shares held by the Group. In calculating earnings per share adjusted for dilution, the dilutive effect resulting from conversion of all share options into shares is taken into account in the average weighted number of shares. Options have a dilutive effect when the subscription price of the options is lower than the share's fair value. The fair value of the share is based on the average price of the shares during the period.

EUR	2013	2012
Profit for the period, EUR	48 405 546,22	53 558 514,64
Share issue-adjusted number of outstanding shares, weighted average, thousands	72 048 683	71 945 425
<b>Earnings per share, EUR</b>	<b>0,67</b>	<b>0,74</b>
Profit for the period, EUR	48 405 546,22	53 558 514,64
Share issue-adjusted number of outstanding shares, weighted average, thousands	72 048 683	71 945 425
Effect of share options		
Share issue-adjusted number of shares, diluted weighted average, thousands	72 048 683	71 945 425
<b>Earnings per share adjusted for effect of dilution</b>	<b>0,67</b>	<b>0,74</b>

## 11. Intangible assets

### Goodwill

EUR mill.	2013	2012
Acquisition cost Jan. 1	818,8	788,5
Translation difference +/-	-25,6	30,3
Acquisition cost Dec. 31	793,2	818,8
<b>Carrying amount Jan. 1</b>	<b>818,8</b>	<b>788,5</b>
<b>Carrying amount Dec. 31</b>	<b>793,2</b>	<b>818,8</b>

### Trademark

EUR mill.	2013	2012
Acquisition cost Jan. 1	106,5	102,6
Translation difference +/-	-3,6	3,9
Acquisition cost Dec. 31	103,0	106,5
Accumulated amortization Jan. 1	-0,3	-0,3
Translation difference +/-	0,0	0,0
Accumulated amortization Dec. 31	-0,3	-0,3
<b>Carrying amount Jan. 1</b>	<b>106,2</b>	<b>102,3</b>
<b>Carrying amount Dec. 31</b>	<b>102,6</b>	<b>106,2</b>

### Impairment testing

The Stockmann Group's reportable segments under IFRS 8, the Department Store Division and the Fashion Chain Division, are cash-generating units. Their accumulated cash flows are largely independent of the cash flows accumulated by the other classes or groups of assets. Lindex and Seppälä were combined in the previous financial period to form the Fashion Chain Division. To make the Fashion Chain Division more compact and efficient, common operating models were taken into use during the 2013 financial period by combining the fashion chains' support functions and focusing on effective control of the organisation. The fashion chains have a joint director who reports to the Group's top operational decision-maker.

The EUR 102.6 million Lindex trademark is allocated in its entirety to the Fashion Chain Division. The Lindex brand is deemed to have an indefinite useful life due to high brand awareness. The Lindex brand has existed for nearly 60 years and the Group will continue to use the brand both in its present markets and when the Lindex product range and business model are introduced into new markets.

In the impairment testing, the cash flow forecasts for the Fashion Chain Division and the Department Store Division are based on market-area forecasts and are approved by management. The cash flow forecasts cover a five-year period and also have effect on the terminal period. Long-term forecasts, which were updated during the financial year, take into account changes in the economy compared with the previous year. Cash flows beyond this management-approved forecast period were extrapolated using a steady two per cent growth rate.

Main variables used in the value-in-use calculation:

1. Volume growth, which is based on an estimate of the sales growth at existing and new stores and department stores.
2. Discount rate, which is determined using the weighted average cost of capital (reflects the total cost of equity and debt). The components of the discount rate are
  - market-specific risk-free rate
  - market risk premium
  - business-specific beta, which is a measure of the market's view of the unit's risk premium
  - cost of debt
  - debt-to-equity ratio, which corresponds to the Stockmann Group's optimal capital structure in accordance with the target equity

The discount rate determined is a pre-tax rate. The discount rate of the Fashion Chain Division is based on the market interest rate and country-specific risk pertaining to Sweden and Finland; the discount rate used for the Fashion Chain Division is 6.3 per cent (6,8% in 2012) The discount rates of the Department Store Division is based on the market interest rate in Finland and country-specific risk pertaining to their countries of operation. The discount rate used for the Department Store Division is 6.6 per cent (7.8% in 2012).

In estimating the recoverable amounts of the Fashion Chain Division and the Department Store Division segments, it is management's view that any possible changes in any of the variables used, when reasonably

assessed, will not lead to a situation in which the recoverable amounts would be less than the segments' carrying amount.

A sensitivity analysis was carried out on the Fashion Chain Division and the Department Store Division using downside scenarios. The scenarios involved reducing either the sales growth from the level given in the management's estimates, or raising the discount rate used. If the sales growth of the Fashion Chain Division were 65 per cent less than forecast during the forecasting period also reflecting to the value of the terminal period, or if the discount rate were increased by 2 percentage points, the combined total of the carrying amount of the non-current assets and the working capital would exceed the recoverable amount of the unit. If the sales growth of the Department Store Division were 40 per cent less than forecast during the forecasting period also reflecting to the value of the terminal period, or if the discount rate were increased by 8 percentage points, the combined total of the carrying amount of the non-current assets and the working capital would exceed the recoverable amount of the unit. Based on the impairment testing and the sensitivity analyses carried out, there is no need for impairment entries.

### Intangible rights

EUR mill.	2013	2012
Acquisition cost Jan. 1	62,8	50,6
Translation difference +/-	-0,7	0,8
Increases Jan. 1–Dec. 31	13,0	11,6
Decreases Jan. 1–Dec. 31	-0,1	-0,6
Transfers between items Jan. 1–Dec. 31	9,6	0,5
Acquisition cost Dec. 31	84,6	62,8
Accumulated amortization Jan. 1	-37,5	-30,7
Translation difference +/-	0,6	-0,5
Amortization on disposals	0,1	0,3
Amortization for the financial period	-8,9	-6,6
Accumulated amortization Dec. 31	-45,7	-37,5
<b>Carrying amount Jan. 1</b>	<b>25,3</b>	<b>19,9</b>
<b>Carrying amount Dec. 31</b>	<b>38,8</b>	<b>25,3</b>

### Other intangible assets

EUR mill.	2013	2012
Acquisition cost Jan. 1	7,7	7,3
Translation difference +/-	0,0	0,3
Increases Jan. 1–Dec. 31	1,1	0,1
Acquisition cost Dec. 31	8,8	7,7
Accumulated amortization Jan. 1	-7,7	-6,9
Translation difference +/-	0,4	-0,3
Amortization for the financial period	-0,2	-0,5
Accumulated amortization Dec. 31	-7,5	-7,7
<b>Carrying amount Jan. 1</b>	<b>0,0</b>	<b>0,4</b>
<b>Carrying amount Dec. 31</b>	<b>1,3</b>	<b>0,0</b>

### Other intangible assets, finance lease

EUR mill.	2013	2012
Acquisition cost Jan. 1	0,4	
Translation difference +/-	0,0	
Transfers between items Jan. 1–Dec. 31	1,6	0,4
Acquisition cost Dec. 31	2,0	0,4
Accumulated depreciation Jan. 1	0,0	
Depreciation for the financial period	-0,1	0,0
Accumulated depreciation Dec. 31	-0,1	0,0
<b>Carrying amount Jan. 1</b>	<b>0,4</b>	
<b>Carrying amount Dec. 31</b>	<b>1,8</b>	<b>0,4</b>

### Advance payments and construction in progress

EUR mill.	2013	2012
Acquisition cost Jan. 1	25,4	10,5
Translation difference +/-		
Increases Jan. 1–Dec. 31	9,5	15,3
Decreases Jan. 1–Dec. 31		
Transfers between items Jan. 1–Dec. 31	-11,0	-0,4

Acquisition cost Dec. 31	24,0	25,4
<b>Carrying amount Jan. 1</b>	<b>25,4</b>	<b>10,5</b>
<b>Carrying amount Dec. 31</b>	<b>24,0</b>	<b>25,4</b>

<b>EUR mill.</b>	<b>2013</b>	<b>2012</b>
<b>Intangible assets, total</b>	<b>961,8</b>	<b>976,1</b>

In 2013, advance payments for intangible assets and construction in progress included the following significant items:

- project to renew the Department Store Division's enterprise resource planning system
- project to renew the Group's financial management system
- investments to Department Store Division's distance retail IT system development
- investments to development of data communication
- changes in financial management systems required by euro conversion in Latvia.

In 2012, advance payments for intangible assets and construction in progress included the following significant items:

- project to renew the Department Store Division's enterprise resource planning system
- project to renew the Group's financial management system.

## 12. Plant, property and equipment

### Land and water

<b>EUR mill.</b>	<b>2013</b>	<b>2012</b>
Acquisition cost Jan. 1	42,2	42,2
Translation difference +/-	0,0	0,0
Increases Jan. 1–Dec. 31	0,0	
Decreases Jan. 1–Dec. 31	0,0	0,0
Transfers between items Jan. 1–Dec. 31		
Acquisition cost Dec. 31	42,1	42,2
<b>Carrying amount Jan. 1</b>	<b>42,2</b>	<b>42,2</b>
<b>Carrying amount Dec. 31</b>	<b>42,1</b>	<b>42,2</b>

### Buildings and constructions

<b>EUR mill.</b>	<b>2013</b>	<b>2012</b>
Acquisition cost Jan. 1	561,8	562,7
Translation difference +/-	-0,1	0,0
Increases Jan. 1–Dec. 31	1,3	2,6
Decreases Jan. 1–Dec. 31	0,0	-3,8
Transfers between items Jan. 1–Dec. 31	-2,8	0,3
Acquisition cost Dec. 31	560,2	561,8
Accumulated depreciation Jan. 1	-104,9	-92,4
Translation difference +/-	0,0	0,0
Depreciation on disposals		2,2
Depreciation for the financial period	-14,9	-14,7
Accumulated depreciation Dec. 31	-119,8	-104,9
<b>Carrying amount Jan. 1</b>	<b>456,9</b>	<b>470,3</b>
<b>Carrying amount Dec. 31</b>	<b>440,4</b>	<b>456,9</b>

### Machinery and equipment

<b>EUR mill.</b>	<b>2013</b>	<b>2012</b>
Acquisition cost Jan. 1	284,0	258,5
Translation difference +/-	-8,6	3,5
Increases Jan. 1–Dec. 31	21,4	18,6
Decreases Jan. 1–Dec. 31	-5,0	-3,1
Transfers between items Jan. 1–Dec. 31	7,3	6,5
Acquisition cost Dec. 31	299,2	284,0
Accumulated depreciation Jan. 1	-177,6	-137,5
Translation difference +/-	6,5	-1,6
Depreciation on disposals	4,4	1,5
Depreciation for the financial period	-38,6	-39,9
Accumulated depreciation Dec. 31	-205,3	-177,6

<b>Carrying amount Jan. 1</b>	<b>106,4</b>	121,0
<b>Carrying amount Dec. 31</b>	<b>93,9</b>	106,4

### Machinery and equipment, finance lease

EUR mill.	2013	2012
Acquisition cost Jan. 1	11,3	8,1
Translation difference +/-	0,0	
Increases Jan. 1–Dec. 31		3,2
Acquisition cost Dec. 31	11,3	11,3
Accumulated depreciation Jan. 1	-5,6	-4,0
Depreciation for the financial period	-3,8	-1,6
Accumulated depreciation Dec. 31	-9,4	-5,6
<b>Carrying amount Jan. 1</b>	<b>5,6</b>	4,0
<b>Carrying amount Dec. 31</b>	<b>1,9</b>	5,6

EUR mill.	2013	2012
<b>Machinery and equipment, total</b>	<b>95,8</b>	112,1

### Modification and renovation costs of leased premises

EUR mill.	2013	2012
Acquisition cost Jan. 1	127,6	124,7
Translation difference +/-	0,0	-0,3
Increases Jan. 1–Dec. 31	2,1	0,5
Decreases Jan. 1–Dec. 31	-3,9	-0,3
Transfers between items Jan. 1–Dec. 31	0,8	3,0
Acquisition cost Dec. 31	126,6	127,6
Accumulated depreciation Jan. 1	-89,8	-79,0
Translation difference +/-	0,0	0,3
Depreciation on disposals	3,7	0,1
Depreciation for the financial period	-8,1	-11,1
Accumulated depreciation Dec. 31	-94,1	-89,8
<b>Carrying amount Jan. 1</b>	<b>37,8</b>	45,7
<b>Carrying amount Dec. 31</b>	<b>32,4</b>	37,8

### Advance payments and construction in progress

EUR mill.	2013	2012
Acquisition cost Jan. 1	6,2	8,1
Translation difference +/-	0,0	0,0
Increases Jan. 1–Dec. 31	8,3	8,4
Decreases Jan. 1–Dec. 31	-0,3	-0,1
Transfers between items Jan. 1–Dec. 31	-8,4	-10,2
Acquisition cost Dec. 31	5,8	6,2
<b>Carrying amount Jan. 1</b>	<b>6,2</b>	8,1
<b>Carrying amount Dec. 31</b>	<b>5,8</b>	6,2

EUR mill.	2013	2012
<b>Property, plant and equipment, total</b>	<b>616,5</b>	655,1

In 2013, advance payments for plant, property and equipment and construction in progress included the following significant items:

- modification and renovation costs for department stores and shopping centers in Finland and Russia
- opening costs of Fashion Chains stores in Russia
- modification and renovation costs for leased premises in Russia.

In 2012, advance payments for plant, property and equipment and construction in progress included the following significant items:

- modification and renovation costs for department stores in Finland, Latvia, Estonia and Russia
- modification and renovation costs for leased premises in Russia.

## 13. Joint ventures

	2013 Shareholding %	2012 Shareholding %
SIA Stockmann Centrs, Riga (real-estate company)	63,0	63,0
Kiinteistö Oy Tapiolan säästötammii Fastighets Ab, Espoo	37,8	37,8

The consolidated financial statements include joint venture's assets and liabilities, income and expenses corresponding to the Group's shareholding.

### Assets and liabilities of joint ventures

EUR mill.	2013	2012
Non-current assets	20,6	14,0
Current assets	0,6	0,6
Non-current liabilities	0,9	0,2
Current liabilities	10,3	16,0

### Income and expenses of joint ventures

EUR mill.	2013	2012
Income	3,6	3,7
Expenses	2,4	2,5

## 14. Available-for-sale investments

EUR mill.	2013	2012
Acquisition cost Jan. 1	5,0	5,0
Translation difference +/-	0,0	0,0
Increases Jan. 1–Dec. 31	0,0	0,0
Decreases Jan. 1–Dec. 31	0,0	
Transfers between items Jan. 1– Dec. 31	2,8	
<b>Carrying amount Dec. 31</b>	<b>7,9</b>	<b>5,0</b>

Available-for-sale investments are investments to shares of unlisted companies. The fair value of the shares is determined by techniques based on the managements' judgment.

## 15. Inventories

EUR mill.	2013	2012
Raw material and consumables	283,3	281,4
Advance payments for inventories	2,5	
<b>Total</b>	<b>285,8</b>	<b>281,4</b>

The value of inventories has been written off by EUR 1.4 million for unsalable assets (2012: EUR 1.0 million).

## 16. Current receivables

EUR mill.	Carrying amount 2013	Fair value 2013	Carrying amount 2012	Fair value 2012
Interest-bearing trade receivables	39,7	39,7	43,8	43,8
Non-interest-bearing trade receivables	22,4	22,4	23,0	23,0
Loan receivables, interest- bearing	3,4	3,4		
Receivables based on derivative contracts	7,1	7,1	0,9	0,9
Other receivables	2,7	2,7	14,9	14,9
Prepayments and accrued income	44,7	44,7	33,1	33,1
Income tax receivables	0,8	0,8	0,6	0,6
<b>Available-for-sale investments</b>				
<b>Current receivables, total</b>	<b>120,9</b>	<b>120,9</b>	<b>116,2</b>	<b>116,2</b>

The carrying amount of trade receivables corresponds to their fair value. The maximum amount of the credit risk for trade receivables and other current receivables is their carrying amount.

Interest-bearing trade receivables include EUR 39,7 million in one-time credits on mail-order sales in 2013 (EUR 43.8 million in 2012). Interest income on these receivables are included in the selling price and recognized in revenue instead of interest income

Material items included in Prepayments and accrued income relate to deferred annual discounts, deferred indirect employee costs, prepaid rents and deferred income from loyal customer cards.

## 17. Cash and cash equivalents

EUR mill.	2013	2012
Cash on hand and at banks	31,4	35,4
Short term deposits	2,5	0,7
Fund		
<b>Total</b>	<b>33,9</b>	<b>36,1</b>

### Cash and cash equivalents in the Statement of Cash Flows

EUR mill.	2013	2012
Cash and cash equivalents	33,9	36,1
Overdraft facilities	-6,1	-3,9
<b>Total</b>	<b>27,8</b>	<b>32,2</b>

## 18. Equity

The following presents the changes in the numbers of shares and the corresponding changes in equity:

EUR mill.	Entered in trade register	Number of shares	Share capital	Share premium fund	Invested unrestricted equity fund	Total
<b>Dec. 31, 2011</b>		71 840 829	143,7	186,1	249,2	578,9
Subscriptions with loyal customer options 2008	29.6.	204 688	0,4		1,3	1,7
Subscriptions with loyal customer options 2008	24.8.	3 166	0,0		0,0	0,0
Share issue costs					-0,1	-0,1
<b>Dec. 31, 2012</b>		72 048 683	144,1	186,1	250,5	580,6
-						
<b>Dec. 31, 2013</b>		72 048 683	144,1	186,1	250,5	580,6

### Share capital

The share capital of Stockmann plc is divided into Series A and Series B shares. The minimum number of Series A shares is 18 000 000 and the maximum number is 80 000 000 and the minimum number of Series B shares is 18 000 000 and the maximum number is 100 000 000.

The minimum share capital of Stockmann plc according to the Articles of Association is EUR 75.0 million and the maximum share capital is EUR 300.0 million. The par value of the shares is EUR 2.00 per share. All the shares issued have been fully paid in.

### Total amount of registered shares December 31st 2013

pcs	2013	2012
Series A shares	30 595 765	30 627 563
Series B shares	41 452 918	41 421 120
<b>Total</b>	<b>72 048 683</b>	<b>72 048 683</b>

### Voting right differences between Series A and B shares

Each Series A share confers the right to cast ten (10) votes at general meetings and each Series B share one (1) vote.

## Conversion of Shares

A Series A Share can be converted to a Series B Share upon the demand of a shareholder provided that the conversion can take place within the limits of the minimum and maximum amounts of the share series. A written demand concerning conversion of the company's shares must be made to the company's Board of Directors in the manner specified in the Articles of Association.

## Redemption obligation

A shareholder whose proportion of all the company's shares or the number of votes conferred by the shares either alone or together with other shareholders reaches or exceeds 33 1/3 per cent or 50 per cent is liable, at the demand of the other shareholders, to redeem their shares in the manner specified in the Articles of Association.

## Share premium fund

The share premium fund contains cash payments in excess of the nominal value that were received from share subscriptions, less the transaction costs.

## Invested unrestricted equity fund

The invested unrestricted equity fund contains other equity-like investments and the share subscription price, less transaction costs, to the extent that this is not entered in share capital under a specific decision.

## Translation differences

The translation differences reserve comprises the translation differences on equity that have arisen in consolidating the financial statements of foreign subsidiaries and translation differences arisen in consolidating net investment in foreign currencies.

## Other funds

EUR mill.	2013	2012
Reserve fund	0,2	0,2
Hedging reserve	-0,5	-1,0
Other funds	43,7	43,7
<b>Total</b>	<b>43,4</b>	<b>42,9</b>

Other funds comprise

- a reserve fund, which contains an amount transferred from unrestricted shareholders' equity on the basis of local regulations.
- a hedging reserve, which contains changes in fair value of derivatives that are used to hedge cash flows, less the deferred tax liability.
- other funds formed from unrestricted shareholders' equity in accordance with a decision by the Annual General Meeting, and which are distributable equity.

## Dividends

After the balance sheet date, the Board of Directors proposed on February 12, 2014 to pay out a dividend of EUR 0.40 per share.

## Share-based payment

IFRS 2 Share-based payment has been applied to the key employee share option scheme for 2010 and to the Loyal Customer share option scheme for 2012.

## Share option programmes

Stockmann has two option programmes on-going; Loyal Customer share option programme 2012 for Loyal Customers and Key employee share option programme 2010 for key employees in the Stockmann Group.

## Loyal Customer share options 2012

The Annual General Meeting held on 15 March 2012 approved the Board of Directors' proposal on granting share options to Stockmann's Loyal Customers. In accordance with the resolution of the Annual General



Meeting, a maximum of 2 500 000 share options will be granted without consideration to Stockmann's Loyal Customers whose purchases in companies belonging to the Stockmann Group together with purchases originating from parallel cards directed to the same account during the time period 1 January 2012 - 31 December 2013 amounts to a total of at least EUR 6 000. For purchases of at least EUR 6 000, a Loyal Customer will receive 20 share options without consideration. In addition, for each full EUR 500 by which the purchases exceed EUR 6 000, the Loyal Customer will receive two additional share options. The share subscription period for the Loyal Customer share options will be 2 - 31 May 2014 and 2 - 31 May 2015.

Each share option entitles its holder to subscribe for one of Stockmann Series B shares. The subscription price is the volume-weighted average price of the Series B share on the Helsinki exchange during the period 1 - 29 February 2012, or EUR 16.36. The subscription price of each share subscribed for based on the share options will be decreased on the record date for each dividend payout by the amount of dividends decided after the commencement of the determination period for the subscription price and prior to the share subscription. The subscription price after the dividend payout proposed by the Board of Directors for the 2013 financial year is EUR 14.86 per share.

### Key employee share options 2010

The Annual General Meeting held on 16 March 2010 approved the Board of Directors' proposal on granting share options to key employees of the Stockmann Group. In accordance with the resolution of the Annual General Meeting, a total of 1 500 000 share options can be granted to the key employees of Stockmann and its subsidiaries. Of the share options 500 000 will be marked with the identifier 2010A, 500 000 with the identifier 2010B, and 500 000 with the identifier 2010C. The share subscription period for the share options 2010A will be 1 March 2013 - 31 March 2015, for share options 2010B 1 March 2014 - 31 March 2016 and for share options 2010C 1 March 2015 - 31 March 2017.

Each share option entitles its holder to subscribe for one Stockmann Series B share. The share subscription price relating to the share options 2010A shall be the trade volume weighted average price of the company's Series B shares on the Helsinki exchange during the period 1 - 28 February 2010 increased by 20 per cent or EUR 26.41, the share options 2010B the trade volume weighted average price of the company's Series B shares on the Helsinki exchange during the period 1 - 28 February 2011 increased by 10 per cent or EUR 25.72, and the share options 2010C the trade volume weighted average price of the company's Series B shares on the Helsinki exchange during the period 1 - 29 February 2012 increased by 10 per cent or EUR 18.00. The subscription price of each share subscribed for based on the share options will be decreased on the record date for each dividend payout by the amount of dividends decided after the commencement of the determination period for the subscription price and prior to the share subscription. The subscription prices after the dividend payout proposed by the Board of Directors for the 2013 financial year is EUR 23.37 per share for to the share options 2010A, EUR 23.40 per share for to the share options 2010B and EUR 16.50 per share for the share option 2010C.

#### Changes in share options during the financial period

	2013 Number of Options	Subscription price as weighted average EUR/share	Turnover weighted share price during subscription period EUR/share	2012, Number of Options	Subscription price as weighted average EUR/share	Turnover weighted share price during subscription period EUR/share
<b>Key employee share options 2006 Series C</b>						
Outstanding at the beginning of the period				375 000		
Options lapsed during the period				375 000		
Outstanding at the end of the period						
<b>Loyal customer share options 2008</b>						
Outstanding at the beginning of the period				553 910		
Exercised during the period				207 854	8,29	14,54
Expired during the period				346 056		
Outstanding at the end of the period						
<b>Key employee share options 2010 Series A</b>						
Outstanding at the beginning of the period	466 000			484 000		
Forfeited during the period	48 000			18 000		
Outstanding at the end of the period	418 000			466 000		
<b>Key employee share options 2010 Series B</b>						

Outstanding at the beginning of the period	330 000	334 000
Forfeited during the period	14 600	4 000
Outstanding at the end of the period	315 400	330 000
<b>Key employee share options 2010 Series C</b>		
Outstanding at the beginning of the period	348 600	
Options granted during the financial period		348 600
Forfeited during the period	18 600	
Outstanding at the end of the period	330 000	348 600
<b>Options, total</b>		
Outstanding at the beginning of the period	1 144 600	1 746 910
Exercised during the period		207 854
Granted during the period		348 600
Forfeited during the period	81 200	22 000
Expired during the period		721 056
Outstanding at the end of the period	1 063 400	1 144 600

The main terms and conditions of the 2010 share option scheme for key employees and 2012 Loyal Customers option scheme are presented in the following table:

	2010A	2010B	2010C	Loyal Customer Share Options 2012
Period for subscription	1.3.13–31.3.15	1.3.14–31.3.16	1.3.15–31.3.17	2.5.14–31.5.14 2.5.15–31.5.15
Maximum number of share options	500 000	500 000	500 000	2 500 000
Number of options granted at December 31, 2013	418 000	315 400	330 000	2)
Subscription price, EUR 1)	23,37	23,40	16,50	14,86
Vesting period	27.4.10- 28.2.13	4.5.11- 28.2.14	18.5.12- 28.2.15	15.3.12- 31.12.13
Contract vesting conditions	-	-	-	-

- 1) Subscription price after 2013 dividend payout proposed by the Board of Directors.
- 2) Loyal Customer share options have not been granted yet

The fair value at the grant date of share options granted has been defined using the Black-Scholes option pricing model. The main conditions of the share option program have been taken into account in the valuation. The fair value is recognized as expense over the vesting period of the option. During the financial period 1 January – 31 December, 2013, share options had an impact on the Group's profit of EUR -1.9 million. The estimated expenses that haven't been booked in the income statement, amount to EUR 0.5 million.

The central assumptions used in the Black-Scholes valuation model are presented in the table below:

	2010A	2010B	2010C	Loyal Customer Share Options 2012
Options granted	27.4.2010	4.5.2011	18.5.2012	15.3.2012
Risk-free interest rate, %	2,0%	1,6%	1,0%	0,5%
Volatility, %	29,0%	32,0%	37,1%	35,2%
Expected life of the share options (in years)	4,9	4,9	4,9	3,2
Share price at grant date, EUR	23,66	15,20	14,25	17,91
Fair value of the option determined at the grant date, EUR	6,00	2,10	3,65	4,10

Volatility has been estimated from the historical volatility of the share.

## 19. Non-current liabilities, interest-bearing

EUR mill.	Carrying amount 2013	Fair value 2013	Carrying amount 2012	Fair value 2012
Bond issues	149,1	146,2	148,9	149,4
Loans from financial institutions	319,9	319,9	351,0	353,4
Pension loans				
Finance leases	0,5	0,5	2,9	2,9
Other liabilities			0,0	0,0
<b>Total</b>	<b>469,4</b>	<b>466,5</b>	<b>502,9</b>	<b>505,7</b>

The carrying amount of bond issues and loans from financial institutions has been calculated using the effective interest method, and fair value has been defined using the discounted cash flow method by discounting at the market interest rate at the balance sheet date. The fair value of finance leases and other liabilities corresponds to the carrying amount.

## 20. Current liabilities

EUR mill.	Carrying amount 2013	Fair value 2013	Carrying amount 2012	Fair value 2012
Loans from financial institutions	8,9	8,9	15,5	15,5
Current account with overdraft facility	6,1	6,1	3,9	3,9
Pension loans			53,3	54,3
Finance leases	2,5	2,5	4,7	4,7
Other interest-bearing liabilities	328,0	328,9	268,3	268,6
Trade payables	109,7	109,7	121,7	121,7
Other current liabilities	52,9	52,9	54,4	54,4
Accruals and prepaid income	103,1	103,1	92,7	92,7
Derivative contract liabilities	3,9	3,9	7,3	7,3
Income tax liability	3,3	3,3	2,0	2,0
<b>Total</b>	<b>618,3</b>	<b>619,2</b>	<b>623,8</b>	<b>625,1</b>
of which interest-bearing	345,4	346,3	345,6	346,9

The fair value of loans from financial institutions, pension loans and issued commercial papers has been defined using the discounted cash flow method by discounting at the market interest rate at the balance sheet date. The fair value of other current liabilities corresponds to their carrying amount.

Material item in accruals and prepaid income is accrued employee benefits expenses.

### Expiration dates of the financial lease liabilities

EUR mill.	2013	2012
<b>The nominal value of the finance lease liabilities</b>		
During one year	2,5	4,8
Over one year and at the most five years from now	0,5	3,0
<b>Total</b>	<b>3,0</b>	<b>7,8</b>
<b>The net present value of the finance lease liabilities</b>		
During one year	2,5	4,7
Over one year and at the most five years from now	0,5	2,9
<b>Total</b>	<b>2,9</b>	<b>7,6</b>
<b>Financial expenses of the lease agreements expiring in the future</b>	<b>0,1</b>	<b>0,2</b>
<b>Financial lease liabilities total</b>	<b>3,0</b>	<b>7,8</b>

Assets are classified as assets leased under finance lease agreement, if the risks and rewards incidental to ownership of the assets substantially remain with the Group.

## 21. Deferred tax assets and deferred tax liabilities

### Changes in deferred taxes during 2013:

#### Deferred tax assets

EUR mill.	1.1.2013	Recognized in income statement	Recognized in equity	Translation difference	31.12.2013
Confirmed losses	10,7	1,4		0,0	12,0
Measurement of derivatives and other financial instruments at fair value	0,1	0,0		0,0	0,0
Difference between carrying amounts and tax bases of property, plant and equipment	3,7	0,3		-0,1	3,8
Financial lease	0,1	0,0			0,0
Other temporary differences	1,6	0,1	0,0	-0,3	1,4
<b>Total</b>	<b>16,1</b>	<b>1,6</b>	<b>0,0</b>	<b>-0,4</b>	<b>17,3</b>

## Deferred tax liabilities

EUR mill.	1.1.2013	Recognized in income statement	Recognized in equity	Translation difference	31.12.2013
Cumulative depreciation differences	36,4	-3,0		-0,2	33,1
Difference between carrying amount and tax bases of prop., plant and equip.	8,8	-0,2		-0,1	8,5
Measurement at fair value of intangible and tangible assets	18,9			-0,6	18,3
Unrealized exchange rate difference on the non-current foreign currency loan					
Other temporary differences	2,4	-0,9	0,1	0,0	1,6
<b>Total</b>	<b>66,4</b>	<b>-4,1</b>	<b>0,1</b>	<b>-1,0</b>	<b>61,5</b>

Confirmed losses on which deferred tax assets have not been recognized amount to EUR 113.2 million (2012 EUR 89.5 million). In accordance with IAS 12 paragraph 52 A, deferred tax liabilities have not been recorded on the profits, EUR 50.6 million (2011 EUR 46.2 million), of the Estonian subsidiary.

## Changes in deferred taxes during 2012:

### Deferred tax assets

EUR mill.	1.1.2012	Recognized in income statement	Recognized in equity	Translation difference	31.12.2012
Confirmed losses	5,5	5,1			10,7
Measurement of derivatives and other financial instruments at fair value	0,0	0,1			0,1
Difference between carrying amounts and tax bases of property, plant and equipment	4,0	-0,5		0,1	3,7
Financial lease	0,1	0,0			0,1
Other temporary differences	1,9	-0,4		0,1	1,6
<b>Total</b>	<b>11,6</b>	<b>4,3</b>		<b>0,2</b>	<b>16,1</b>

### Deferred tax liabilities

EUR mill.	1.1.2012	Recognized in income statement	Recognized in equity	Translation difference	31.12.2012
Cumulative depreciation differences	33,4	2,7		0,2	36,4
Difference between carrying amount and tax bases of prop., plant and equip.	8,5	0,0		0,2	8,8
Measurement at fair value of intangible and tangible assets	21,9	-3,8		0,8	18,9
Unrealized exchange rate difference on the non-current foreign currency loan					
Other temporary differences	4,3	-0,3	-1,6	0,1	2,4
<b>Total</b>	<b>68,1</b>	<b>-1,3</b>	<b>-1,6</b>	<b>1,3</b>	<b>66,4</b>

## 22. Carrying amounts and fair values of financial assets and liabilities classified according to IAS 39, and hierarchical classification of fair values

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 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 haven't been any transfers between the levels during the financial year.

Financial assets, EUR mill.	Level	Carrying amount 2013	Fair value 2013	Carrying amount 2012	Fair value 2012
Derivative contracts, hedge accounting applied	2	0,2	0,2	0,0	0,0
Financial assets at fair value through profit or loss					
Derivative contracts, hedge accounting not applied					
Currency derivatives	2	6,9	6,9	0,9	0,9
Electricity derivatives	1			0,0	0,0
Financial assets at amortized cost					
Non-current receivables		0,5	0,5	1,1	1,1
Current receivables, interest-bearing		43,1	43,1	43,8	43,8
Current receivables, non-interest-bearing		69,8	69,8	70,9	70,9
Cash and cash equivalents		33,9	33,9	36,1	36,1
Available-for-sale financial assets	3	7,9	7,9	5,0	5,0
<b>Financial assets, total</b>		<b>162,4</b>	<b>162,4</b>	<b>157,8</b>	<b>157,8</b>

Financial liabilities, EUR mill.	Level	Carrying amount 2013	Fair value 2013	Carrying amount 2012	Fair value 2012
Derivative contracts, hedge accounting applied	2	0,9	0,9	1,3	1,3
Financial assets at fair value through profit or loss					
Derivative contracts, hedge accounting not applied					
Currency derivatives	2	2,9	2,9	5,8	5,8
Electricity derivatives	1	0,2	0,2	0,2	0,2
Financial liabilities at amortized cost					
Non-current interest-bearing liabilities	2	469,4	466,5	502,9	505,7
Current liabilities, interest-bearing	2	345,4	346,3	345,6	346,9
Current liabilities, non-interest-bearing		265,5	265,5	268,4	268,4
<b>Financial liabilities, total</b>		<b>1 084,3</b>	<b>1 082,3</b>	<b>1 124,2</b>	<b>1 128,3</b>

In the balance sheet, derivative contracts are included in the following categories: Non-current and current receivables, non-interest-bearing and current liabilities, non-interest-bearing.

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

Change in fair value of available-for-sale assets, EUR mill.	2013	2012
Carrying amount Jan. 1	5,0	5,0
Translation difference +/-	0,0	0,0
Transfers between items	2,8	
<b>Total</b>	<b>7,9</b>	<b>5,0</b>

## 23. Pension obligations

### Defined benefit pension plans

The Group adopted the amended IAS 19 on 1 January 2013. The impact of this on the amount of the defined benefit pension liability and pension costs is presented in this disclosure. The impacts of adopting the standard are also explained in Note 1.

The Group's Norwegian subsidiary, Lindex AS, has defined benefit pension plans. The defined benefit pension plans mainly cover old-age pensions and surviving spouse's pensions. The employer is obliged to pay these pensions for life, and the pension is either a percentage of the salary or a specified amount. The length of the employment relationship determines whether an employee is entitled to an old-age pension. For the employee to be entitled to a full old-age pension, he or she would have to have been included in the plan for a specified time. Each year the amount that the employee is entitled to grows, and this is reported as the pension earned during the period and as an increase in the pension liability. The pension plan is funded through payments made by the employer.

An insurance company takes care of the defined benefit pension plans. All defined benefit pension plans are unfunded obligations. The benefit plans are managed according to Norwegian legislation and regulations.

The pension plan covers 12 people and will be discontinued by the end of 2015 when all the people covered by the plan will have reached the age of 67. The Group will not present sensitivity analyses or outline the plan's risks in this disclosure, because any possible changes presented in sensitivity analyses will not have a significant impact on the amount of the defined benefit pension liability recognised in the balance sheet or on the amount of the defined benefit pension costs recognised in the income statement.

The Group does not anticipate paying anything into the defined benefit pension plans in 2014.

### The defined benefit pension liability recognized in the balance

EUR mill.	2013	Reported 2012	Adjusted 2012
Present value of unfunded obligations	0,1	0,4	0,4
Deficit/surplus	0,1	0,4	0,4
Unrecognized actuarial gains (+) and losses (-)		-0,1	
Social security contribution	0,0		0,1
Other change in defined benefit obligation			-0,1
<b>Recognized net amount of liability</b>	<b>0,1</b>	<b>0,3</b>	<b>0,3</b>

### The defined benefit pension expense recognized in the income statement

EUR mill.	2013	Reported 2012	Adjusted 2012
Current service cost			
Interest costs	0,0	0,0	0,0
Actuarial gains (-) and losses (+)		0,0	
<b>Losses/gains on plan curtailment</b>			
Social security contribution	0,0	0,0	0,0
Other expenses related to the defined benefit liability			
<b>Total</b>	<b>0,0</b>	<b>0,1</b>	<b>0,0</b>

### Changes in the defined benefit pension liability recognised in the balance sheet during the financial period:

EUR mill.	2013	Reported 2012	Adjusted 2012
Opening defined benefit obligation	0,4	0,6	0,6
Translation differences			
Interest costs	0,0	0,0	0,0
Actuarial gains (-) and losses (+)		0,0	
Remeasurement gains/losses on defined benefit pension liability net-of-tax	-0,1		0,1
Losses/gains on plan curtailment			
Translation differences	0,0	0,0	
Benefits paid	-0,1	-0,2	-0,2
Other change in defined benefit obligation			-0,1
<b>Closing defined benefit obligation</b>	<b>0,1</b>	<b>0,3</b>	<b>0,3</b>

### Expected maturity analysis of undiscounted pension liabilities

EUR mill. 31.12.2013	During one year	Over one year and at most two years	Over two years and at most five years
Pension obligation	0,1 eur	0,0 eur	eur

### Items arising from re-measurement of the defined benefit plan's net liabilities are as follows:

EUR mill.	31.12.2013	31.12.2012
Change in discount rate	0,0	
Changes in other financial	0,0	0,0

assumptions		
Changes in life expectancy	0,0	0,0
Changes in experience	-0,2	0,1
Tax benefit/expense	0,1	0,0
<b>Total</b>	<b>-0,1</b>	<b>0,1</b>

## Actuarial assumptions applied

	31.12.2013	31.12.2012
Discount rate	3,7 %	3,8%
Future salary increases	3,5 %	3,5 %
Turnover of personnel	0,0 – 8,0 %	0,5 – 8,0 %
Inflation	2,0 %	2,0 %

## 24. Operating leases

### The Group as lessee

#### Minimum lease payments on the basis of binding lease agreements on commercial premises

EUR mill.	2013	2012
Within one year	187,5	186,3
Within 1-5 years	444,2	445,1
In five years or more	250,2	271,1
<b>Total</b>	<b>881,8</b>	<b>902,5</b>

### Lease payments

EUR mill.	2013	2012
Within one year	0,6	1,2
Within 1-5 years	1,1	1,1
<b>Total</b>	<b>1,7</b>	<b>2,4</b>

## 25. Contingent liabilities

### Collaterals given for own liabilities

EUR mill.	2013	2012
Mortgages given	1,7	201,7
Guarantees	8,1	7,8
Securities pledged		
<b>Total</b>	<b>9,7</b>	<b>209,5</b>

### Liabilities, total

EUR mill.	2013	2012
Mortgages	1,7	201,7
Guarantees	8,1	7,8
Pledges		
<b>Total</b>	<b>9,7</b>	<b>209,5</b>

### Investments in real estate

Certain group companies are required to adjust the VAT deductions made on real estate investments completed in 2006–2011 if the VAT-liable use of the real estate decreases during the adjustment period. The last adjustment year is 2020, and the maximum liability is EUR 23.3 mill.

## 26. Derivative contracts

### Nominal values of derivative contracts

#### Derivative contracts, hedge accounting applied

EUR mill.	2013	2012
Currency forwards	67,8	63,5
Electricity forwards		
<b>Total</b>	<b>67,8</b>	<b>63,5</b>

#### Derivative contracts, hedge accounting not applied

EUR mill.	2013	2012
Currency swaps	515,0	545,0
Currency forwards		
Electricity forwards	0,9	2,6
<b>Total</b>	<b>515,9</b>	<b>547,6</b>

### Fair value of derivative contracts in year 2013

#### Derivative contracts, hedge accounting applied

EUR mill.	Positive	Negative	Net
Currency forwards	0,2	-0,9	-0,7
Currency options			
Electricity forwards			
<b>Total</b>	<b>0,2</b>	<b>-0,9</b>	<b>-0,7</b>

#### Derivative contracts, hedge accounting not applied

EUR mill.	Positive	Negative	Net
Currency swaps	6,9	-2,9	4,0
Currency forwards			
Electricity forwards		-0,2	-0,2
<b>Total</b>	<b>6,9</b>	<b>-3,1</b>	<b>3,8</b>

### Fair value of derivative contracts in year 2012

#### Derivative contracts, hedge accounting applied

EUR mill.	Positive	Negative	Net
Currency forwards	0,0	-1,3	-1,3
Currency options			
Electricity forwards			
<b>Total</b>	<b>0,0</b>	<b>-1,3</b>	<b>-1,3</b>

#### Derivative contracts, hedge accounting not applied

EUR mill.	Positive	Negative	Net
Currency swaps	0,9	-5,8	-4,9
Currency forwards			
Electricity forwards	0,0	-0,2	-0,2
<b>Total</b>	<b>0,9</b>	<b>-6,0</b>	<b>-5,1</b>

All the derivatives that are open on the balance sheet date, 31 December 2013, with the exception of electricity derivatives, fall due in one year.

Currency swaps and forwards have been measured at fair value using market prices on the balance sheet date. Changes in the fair values of currency derivatives are recognized either in equity or in the profit and loss depending on whether hedge accounting has been applied to them. Currency derivative contracts did not result in hedge accounting-related ineffectiveness that was to be recorded through profit and loss in 2013. The fair values of electricity derivatives are based on market prices on the balance sheet date and the changes in the fair values are recognized in the profit and loss.



## 27. Financial Instruments subject to netting arrangements

The Group has entered into derivative transactions under agreements that include a master netting arrangement. The agreements stipulate that in certain circumstances, e.g. when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated and only a single net amount is payable in settlement of all transactions.

The agreements do not meet the criteria for offsetting in the statement of financial position.

The following table sets out the amounts of recognized financial instruments that are subject to the above agreements.

December 31, 2013

Financial assets, EUR mill.	Carrying amount	Items under netting arrangements	Net
Currency derivatives, hedge accounting applied	0,2	-0,2	0,0
Currency derivatives, hedge accounting not applied	6,9	-2,0	4,9
Electricity derivatives, hedge accounting not applied			
Financial assets, total	7,1	-2,2	4,9
<b>Financial liabilities, EUR mill.</b>			
Currency derivatives, hedge accounting applied	-0,9	0,2	-0,7
Currency derivatives, hedge accounting not applied	-2,9	2,0	-0,9
Electricity derivatives, hedge accounting not applied	-0,2		-0,2
Financial liabilities, total	-4,0	2,2	-1,8
December 31, 2012			
Financial assets, EUR mill.	Carrying amount	Items under netting arrangements	Net
Currency derivatives, hedge accounting applied	0,0	0,0	
Currency derivatives, hedge accounting not applied	0,9	-0,7	0,2
Electricity derivatives, hedge accounting not applied			
Financial assets, total	0,9	-0,7	0,2
<b>Financial liabilities, EUR mill.</b>			
Currency derivatives, hedge accounting applied	-1,3	0,0	-1,3
Currency derivatives, hedge accounting not applied	-5,8	0,7	-5,1
Electricity derivatives, hedge accounting not applied	-0,2		-0,2
Financial liabilities, total	-7,3	0,7	-6,7

## 28. Related party transactions

Members of the Board of Directors and Management Committee belong to the Group's related party, as well as the parent company and subsidiaries and joint ventures.

Following members of the Board of Directors and Management Committee belong to the Group's related party during financial year 2013:

- Christoffer Taxell, Chairman of the Board of Directors
- Kaj-Gustaf Bergh, Member of the Board of Directors until March 21st 2013
- Eva Liljebloom, Member of the Board of Directors
- Kari Niemistö, Vice Chairman of the Board of Directors and Member of the Board of Directors
- Charlotta Tallqvist-Cederberg, Member of the Board of Directors
- Carola Teir-Lehtinen, Member of the Board of Directors
- Dag Wallgren, Member of the Board of Directors
- Per Sjödel, Member of the Board of Directors from March 15th 2012 onwards
- Kjell Sundström, Member of the Board of Directors from March 21st 2013 onwards
- Hannu Penttilä, CEO
- Pekka Vähähyyppä, Executive vice president and CFO
- Maisa Romanainen, Executive vice president and director for the Department Store Division
- Göran Bille, Director, Fashion Chain Division, Managing director, Lindex
- Jukka Naulapää, Director, legal affairs
- Lauri Veijalainen, Development director for the Group's international operations
- Heini Pirttijärvi, Director, human resources

Following members of the Board of Directors and Management Committee belonged to the Group's related party during financial year 2012:

- Christoffer Taxell, Chairman of the Board of Directors
- Erkki Etola, Vice Chairman of the Board of Directors and Member of the Board of Directors until March 15th 2012
- Kaj-Gustaf Bergh, Member of the Board of Directors
- Eva Liljebloom, Member of the Board of Directors
- Kari Niemistö, Member of the Board of Directors
- Charlotta Tallqvist-Cederberg, Member of the Board of Directors
- Carola Teir-Lehtinen, Member of the Board of Directors
- Dag Wallgren, Member of the Board of Directors
- Per Sjödel, Member of the Board of Directors from March 15th 2012 onwards
- Hannu Penttilä, CEO
- Pekka Vähähyyppä, Executive vice president and CFO
- Maisa Romanainen, Executive vice president and director for the Department Store Division
- Göran Bille, Managing director, Lindex
- Jukka Naulapää, Director, legal affairs
- Lauri Veijalainen, Development director for the Group's international operations
- Nina Laine-Haaja, Managing director, Seppälä

The relationships between the company's parent company and subsidiaries are shown in notes to the parent company's financial statements, under the header "Shares and participation".

## The following transactions were carried out with related parties:

### Management's employee benefits

#### Emoluments \*

Employee benefits of the Chief Executive Officer and other members of the Management Committee, EUR 2013	Chief Executive Officer	Other members of the Management Committee	Total
Short-term employee benefits	640 065	1 881 350	2 521 415
Post-employment benefits	87 375	290 365	377 740
Other long-term employee benefits	0	0	0
Termination benefits	0	0	0
Share-based payments	0	0	0
<b>Employee benefits total</b>	<b>727 440</b>	<b>2 171 715</b>	<b>2 899 155</b>
Remunerations to the Board of Directors, EUR 2013	Fixed annual remuneration	Remuneration based on participation	Total
Bergh Kaj-Gustaf	0	1 500	1 500
Etola Erkki	0	0	0
Liljebloom Eva	38 000	3 000	41 000
Niemistö Kari	49 000	5 500	54 500
Sjödel Per	38 000	3 000	41 000
Tallqvist-Cederberg Charlotta	38 000	5 500	43 500
Taxell Christoffer	76 000	5 500	81 500
Teir-Lehtinen Carola	38 000	3 000	41 000
Wallgren Dag	38 000	5 500	43 500
Sundström Kjell	38 000	1 500	39 500
<b>Remunerations to the Board of Directors total</b>	<b>353 000</b>	<b>34 000</b>	<b>387 000</b>
<b>Fees and remunerations to key personnel total, EUR</b>			<b>3 286 155</b>

\* paid in shares 14 567 pieces in 2013.

Employee benefits of the Chief Executive Officer and other members of the Management Committee, EUR 2012	Chief Executive Officer	Other members of the Management Committee	Total
Short-term employee benefits	627 200	1 852 271	2 479 471
Post-employment benefits	325 960	379 021	704 981
Other long-term employee benefits	0	0	0
Termination benefits	0	0	0
Share-based payments	122 082	336 104	458 186
<b>Employee benefits total</b>	<b>1 075 242</b>	<b>2 567 396</b>	<b>3 642 638</b>

Remunerations to the Board of Directors, EUR 2012	Fixed annual remuneration	Remuneration based on participation	Total
Bergh Kaj-Gustaf	38 000	4 000	42 000
Etola Erkki	0	4 500	4 500
Liljebloom Eva	38 000	4 500	42 500
Niemistö Kari	49 000	5 500	54 500
Sjödell Per	38 000	2 500	40 500
Tallqvist-Cederberg Charlotta	38 000	7 500	45 500
Taxell Christoffer	76 000	7 500	83 500
Teir-Lehtinen Carola	38 000	4 500	42 500
Wallgren Dag	38 000	7 500	45 500
Sundström Kjell	0	0	0
<b>Remunerations to the Board of Directors total</b>	<b>353 000</b>	<b>48 000</b>	<b>401 000</b>
<b>Fees and remunerations to key personnel total, EUR</b>			<b>4 043 638</b>

\* paid in shares 11 046 pieces in 2012

### Key employee share options 2010

On 31 December 2013, the Group's Management Committee had 359,200 granted options, of which 152,000 were exercisable.

On 31 December 2012, the Group's Management Committee had 358,000 granted options, of which 148,000 were exercisable as of March 2013

### Management's pension commitments

Under the CEO agreement, Mr. Hannu Penttilä was entitled to retire in April 2013 when he turned 60. Mr. Penttilä did not exercise this entitlement but continued as CEO from April 2013 onwards. The CEO's pension is determined on the basis of TyEL insurance under the Employees Pensions Act (TyEL), and a separate insurance taken by the company. The accumulated pension is 60 per cent of the salary, which is determined on the basis of the earnings during years 2009 - 2012 and as an average of the two middle years of these. The payout of the separate insurance's accumulated pension to the CEO begins when he retires. The insurance cost was in 2013 EUR 87 375 (EUR 325 960 in year 2012).

The retirement age of the Management Committee members is 60 - 63, depending on the particular executive agreement in question. If retirement is at the age of 63, the pension is determined in accordance with the Finnish employment pension legislation. In the case of earlier retirement, the pension is determined either in the same way as for the CEO or is accrued on a defined contribution basis. Each month, the company then pays an agreed percentage of earnings into a defined contribution pension plan. The costs of both forms of insurance in 2013, for others than the CEO, amounted to EUR 290 365 (EUR 379 021 in year 2012).

### Other related party transactions

EUR	2013	2012
Rentals paid to companies controlled by members of the Board of Directors		145 628

The rentals paid are market rental rates and the lease agreements do not contain other exceptional terms and conditions.

## 29. Financial risk management

The Group's financing and the management of financial risks are handled on a centralized basis within Stockmann plc's Treasury function in accordance with the policy adopted by the Board of Directors.

The objective of financial risk management is to ensure reasonable financing for the Group in all circumstances and to reduce the effects of market risks on the Group's profit and balance sheet. Group Treasury, which reports to the Chief Executive Officer of Stockmann plc, is responsible for managing and hedging financial exposures at Group level. It also acts as the internal bank of the Stockmann Group. Group Treasury acts in accordance with more detailed guidelines setting out the principles of managing financial risks as well as the management of liquidity and financing. The divisions have separate instructions for hedging their foreign exchange exposure.

The Group's main financial risks are currency risk, interest rate risk, liquidity risk, financing risk and counterparty risk.

The financial risks in the balance sheet and the financial risks connected with commercial cash flows as well as the chosen hedging strategies are reported to the Board of Directors quarterly and to Group Management monthly.

### Currency risk

The Group's currency risk consists of sales and purchases made in foreign currency as well as balance sheet items and also foreign-currency-denominated net investments in units abroad.

### Transaction risk

Stockmann's transaction risk derives from the currency flows connected with sales and purchases of the Group's business units as well as from loans and receivables denominated in foreign currency. The most important sales currencies are the euro, the Swedish krona, the Russian rouble, the Norwegian krone and the Latvian lat. The primary purchasing currencies are the euro, the United States dollar, the Russian rouble, the Swedish krona, the Latvian lat and the Hong Kong dollar. In 2013, foreign-currency-denominated sales accounted for 48 per cent of the Group's entire sales. Purchases with a transaction risk made up 29 per cent of the Group's purchases. In addition the Group has purchases in foreign currency without a transaction risk, mainly local purchases in Russia, Sweden and Latvia. In 2013 these purchases accounted for 14 per cent of the Group's total purchases.

The business units are responsible for forecasting future net cash flows denominated in foreign currency and for managing the currency risk connected with them. The management of currency risk related to operational cash flows is based on cash flow forecasts for the coming 6 months. The hedging period is generally a maximum of 6 months and the degree of hedging for individual currencies can vary in the range of 0–100%. Contracted cash flows can be hedged for longer periods.

Currency derivatives that are used to hedge forecasted cash flows are classified as cash flow hedges as defined by IAS 39. All outstanding contracts that are classified as cash flow hedges will mature during the first 8 months of 2014. The gain/loss of these hedge instruments will affect the Group's operating profit in the same period during which the forecasted hedged items affect profit, which is approximately 4 months after maturity. Information about the fair value of these hedges is provided in Note 26. The table below shows the distribution of currency for outstanding derivatives hedging cash flows.

Foreign exchange derivatives hedging cash flows:

EUR mill	2013	2012
USD	67,1	59,1
HKD	0,0	2,8
SEK	-38,9	-41,9
NOK	-14,5	-20,1
EUR	-14,4	-1,6

### Sensitivity Analysis, cash flow hedges, effect on equity after tax

2013 EUR mill	USD	HKD	SEK	NOK
Change + 10 %	-4,8	0,0	-0,4	1,0
Change - 10 %	5,8	0,0	0,5	-1,3

  

2012 EUR mill	USD	HKD	SEK	NOK
Change + 10 %	-4,2	-0,2	-0,1	1,4
Change - 10 %	5,1	0,2	0,1	-1,7

The majority of the outstanding derivatives hedging cash flows relates to Lindex. The functional currency of Lindex is the Swedish krona. At year-end, the outstanding cash flow hedges in US dollars covered approximately 68% of the Stockmann Group's estimated net USD flows for the coming 6 months.

Foreign subsidiaries are financed primarily in local currency, whereby the foreign subsidiary does not incur significant transaction risk. Group Treasury is responsible for managing the currency risk of the foreign-currency-denominated receivables and liabilities in Stockmann's balance sheet. The degree of hedging can vary in the range of 0 – 100%.

The following table shows the Group's transaction exposure including foreign-currency-denominated assets and liabilities as well as outstanding derivatives hedging these items. Future forecasted cash flows and derivatives hedging forecasted cash flows are not included. The financial statements of the Russian subsidiaries have been translated into euro according to IAS 21 using euro as functional currency, consequently only monetary items are exposed to currency risk.

### The Group's transaction exposure

2013, milj. euro	SEK	LVL*	RUB	LTL	NOK	CZK	USD	PLN
Receivables	879,5		17,2	6,1	14,2	24,3	11,8	7,3
Loans from financial institutions	-306,6				-0,1		-0,8	
Trade payables and other current liabilities	-120,1		-16,4		-0,3		-21,6	
Foreign currency exposure in the balance sheet	452,8		0,8	6,1	13,8	24,3	-10,7	7,3
Foreign exchange derivatives hedging balance sheet items	-470,1				-15,1	-21,1	12,8	-5,1
Foreign currency loans hedging the net investment	66,0							
Net position in the balance sheet	48,7		0,8	6,1	-1,3	3,2	2,1	2,2
2012, milj. euro	SEK	LVL	RUB	LTL	NOK	CZK	USD	PLN
Receivables	880,0	7,9	17,7	1,7	19,0	20,4	9,9	5,6
Loans from financial institutions	-330,4	-0,2			-0,1		-0,5	
Trade payables and other current liabilities	-90,3	-5,7	-19,1		-0,2		-22,7	
Foreign currency exposure in the balance sheet	459,3	2,0	-1,4	1,7	18,7	20,4	-13,3	5,6
Foreign exchange derivatives hedging balance sheet items	-500,8	-4,3			-17,8	-17,1	21,3	-3,2
Foreign currency loans hedging the net investment	97,6							
Net position in the balance sheet	56,1	-2,3	-1,4	1,7	0,9	3,3	8,0	2,4

\*) The currency exposure in LVL at the balance sheet date, 31 December 2013, has been excluded since Latvia joins the euro area on 1 January 2014.

A 10 % strengthening or weakening of the euro against other currencies would create the following effect in profit after tax. The sensitivity analysis is based on the exposures in the table above.

### Sensitivity Analysis, effect on Profit & Loss account after tax

2013 EUR mill	SEK	LVL	RUB	LTL	NOK	CZK	USD	PLN
Change + 10 %	-3,5	0,0	-0,1	-0,4	0,1	-0,2	-0,2	-0,2
Change - 10 %	4,3	0,0	0,1	0,5	-0,1	0,3	0,2	0,2
2012 EUR mill	SEK	LVL	RUB	LTL	NOK	CZK	USD	PLN
Change + 10 %	-3,9	0,2	0,1	-0,1	-0,1	-0,2	-0,5	-0,2
Change - 10 %	4,7	-0,2	-0,1	0,1	0,1	0,3	0,7	0,2

### Translation risk

The Stockmann Group incurs translation risk when the financial statements of foreign subsidiaries are translated into euro amounts in the consolidated financial statements.

For foreign-currency-denominated net investments, the effects of changes in foreign exchange rates appear as the translation difference in the Group's equity. Stockmann hedges translation risk for equity selectively by means of loans in foreign currency or with derivatives. Hedging decisions are taken by the Chief Executive Officer of Stockmann plc upon a proposal by Group Treasury, taking into account any effect the hedging measure may have on the Group's earnings, balance sheet and cash flows as well as hedging costs.

The following table shows how a 10% change of the euro against the Group companies' functional currencies would affect the Group's equity. The sensitivity analysis includes effects from the translation of foreign-currency-denominated net investments into euro and from loans and derivatives hedging net investments.

## Sensitivity Analysis, effect on equity

2013 EUR mill	SEK	*LVL	LTL
Change + 10 %	-12,8	0,0	0,0
Change - 10 %	15,6	0,0	0,0

2012 EUR mill	SEK	LVL	LTL
Change + 10 %	-6,0	-0,8	0,0
Change - 10 %	7,3	1,0	0,0

\*) The equity in LVL at the balance sheet date, 31 December 2013, has been excluded since Latvia joins the euro area on 1 January 2014.

## Interest rate risk

Fluctuations in the level of interest rates affect the Group's interest expenses and interest income. The Group has large Swedish Krona-denominated assets originating from the acquisition of Lindex. These assets are financed with Swedish Krona-denominated debt and/or debt swapped to Swedish Krona. Thus, Stockmann is mainly exposed to fluctuations in Swedish interest rates. The objective of the Group's management of interest rate risk is to reduce the uncertainty to which Stockmann's earnings may be subjected due to changes in the level of interest rates. A dual approach is employed in managing interest rate risk. The Group's borrowings and investments are diversified across different maturities and, furthermore, floating rate and fixed-interest instruments are used. The duration of the loan and investment portfolio is a maximum of five years. Interest rate derivatives can be used in managing interest rate risk. At the balance sheet date, 31 December 2013, Stockmann's interest-bearing loans and bank receivables had a duration of 9.9 months. Interest rate derivatives were not in use.

The following table summarizes the interest terms of the Group's interest bearing liabilities and bank receivables at the balance sheet date 31 December 2013:

Interest rate adjustment, period, EUR mill	< 1 month	1–12 months	1–3 years	3–5 years	Total
Bond Issues				149,1	149,1
Loans from financial institutions	171,9	160,8			332,7
Finance leases		2,5	0,5		3,0
Other interest bearing liabilities	157,8	172,2			330,0
<b>Total</b>	<b>329,7</b>	<b>335,5</b>	<b>0,5</b>	<b>149,1</b>	<b>814,8</b>
Cash and bank receivables	-33,9				-33,9
<b>Total</b>	<b>295,8</b>	<b>335,5</b>	<b>0,5</b>	<b>149,1</b>	<b>780,9</b>

The following table summarizes the interest terms of the Group's interest bearing liabilities and bank receivables at the balance sheet date December 31, 2012:

Interest rate adjustment, period, EUR mill	< 1 month	1–12 months	1–3 years	3–5 years	Total
Bond Issues				148,9	148,9
Loans from financial institutions	202,1		164,5		366,5
Pension Loans		53,3			53,3
Finance leases			7,6		7,6
Other interest bearing liabilities	57,1	215,1	0,0		272,2
<b>Total</b>	<b>259,2</b>	<b>268,3</b>	<b>172,1</b>	<b>148,9</b>	<b>848,5</b>
Cash and bank receivables	-36,1				-36,1
<b>Total</b>	<b>223,1</b>	<b>268,3</b>	<b>172,1</b>	<b>148,9</b>	<b>812,4</b>

A rise of one percentage point in market interest rates would have an imputed effect on Stockmann's profit after taxes of EUR -4.1 million (2012: EUR -2.8 million) at the balance sheet date, 31 December 2013.

Correspondingly, a decline of one percentage point in market interest rates would have an imputed effect on Stockmann's profit after taxes of EUR +4.1 million (2012: EUR +2.8 million) at the balance sheet date, 31 December 2013. At the balance sheet date there were no items that are recognized directly in equity.

## Electricity price risk

Lindex uses electricity derivatives to reduce the price risk affecting its future electricity procurements. In accordance with Lindex's financial policy, the degree of hedging of future electricity prices is a maximum of 100% for the coming three years. At the balance sheet date, 31 December 2013, a change of 10 percentage points in the market price of electricity has no material impact on Stockmann's profit and equity after taxes.

## Financing and liquidity risk

Financing risk is defined as the risk of not being able to meet payment obligations as a result of insufficient liquid funds or difficulties in finding financing. In order to minimize financing risk, the Group's financing need for the coming years is covered by long-term committed credit facilities. The Group also has to maintain a sufficiently large liquidity reserve. The liquidity reserve must be at least an amount corresponding to an average month's operational cash disbursements. Cash and cash equivalents as well as unused committed and non-committed credit facilities may be included in the liquidity reserve.

At the end of the year Stockmann had credit facilities totaling EUR 1 499 million, of which EUR 815 million was drawn. Committed credit facilities amounted to EUR 878 million. Of these facilities, EUR 485 million were utilized. In December 2013, Stockmann refinanced a major part of its long-term credit facilities. Committed bilateral agreements with 6 banks have been signed for credit facilities of EUR 700 million. The new facilities will mature in February 2019. These facilities will replace the existing committed credit facilities of EUR 650 million that will fall due in 2015. The new facilities will be available from January 2014 and until then the old facilities are in place. In the above amounts regarding credit facilities for year-end 2013, as well as in the table below, the new facilities are not included. In November 2012 Stockmann issued a corporate bond of EUR 150 million, listed on NASDAQ OMX Helsinki, which matures in 2018. The Group also has a committed bilateral loan agreement maturing in 2016 as well as a committed credit facility with NIB. In addition the Group has a domestic commercial paper program of EUR 600 million. Borrowing within the commercial paper program amounted to EUR 324 million at year-end.

Stockmann's borrowing is unsecured. However, the committed bilateral bank facilities include a financial covenant, related to the Group's equity ratio. The conditions in the loan agreements have been met during the year.

### Cash and bank receivables as well as unused committed credit facilities\*

EUR mill	2013	2012
Cash and bank receivables	33,9	36,1
Credit facility, due in 2014		
Credit facility, due in 2015	393,4	369,6
Credit facility, due in 2016		
Credit facility, due in 2017		
Credit facility, due in 2018 + Overdraft facilities	2,6	1,4
<b>Total</b>	<b>429,9</b>	<b>407,1</b>

\*) The new facilities signed in December 2013 are not included

### Cash flows based on agreements in financial liabilities, including financing costs, were the following at 31 December 2013:

EUR mill	Carrying amount	2014	2015	2016	2017	2018+	Total
Bonds	149,1	-5,1	-5,1	-5,1	-5,0	-155,0	-175,3
Loans from financial institutions	328,7	-14,6	-270,1	-56,0			-340,7
Finance leases	2,9	-2,5	-0,4	-0,1			-3,0
Other interest-bearing liabilities	334,1	-335,3					-335,3
Trade payables and other current liabilities	265,5	-265,5					-265,5
<b>Total</b>	<b>1 080,3</b>	<b>-623,0</b>	<b>-275,6</b>	<b>-61,2</b>	<b>-5,0</b>	<b>-155,0</b>	<b>-1 119,8</b>
Derivatives							
FX Derivatives	3,7						
Assets		157,0					157,0
Liabilities		-159,7					-159,7
Electricity Derivatives	0,2						
Net cash flow		-0,1	-0,1				-0,2
<b>Total</b>	<b>3,9</b>	<b>-2,8</b>	<b>-0,1</b>				<b>-2,9</b>

Cash flows based on agreements in financial liabilities, including financing costs, were the following at 31 December 2012:

EUR mill	Carrying amount	2013	2014	2015	2016	2017+	Total
Bonds	148,9	-1,7	-5,1	-5,1	-5,1	-160,1	-177,1
Loans from financial institutions	366,5	-25,4	-18,0	-293,0	-58,5		-394,9
Pension loans	53,3	-54,6					-54,6
Finance leases	7,6	-4,8	-2,5	-0,4	-0,1		-7,8
Other interest-bearing liabilities	272,2	-274,1					-274,1
Trade payables and other current liabilities	268,4	-268,4					-268,4

Total	1 116,9	-629,0	-25,6	-298,5	-63,7	-160,1	-1 176,9
Derivatives							
FX Derivatives	7,1						
Assets		513,6					513,6
Liabilities		-521,7					-521,7
Electricity Derivatives	0,2						
Net cash flow		-0,2					-0,2
Total	7,3	-8,3					-8,3

## Credit and counterparty risk

Trade receivables as well as receivables based on investments and derivative contracts expose the Group to credit risk. The counterparty risk associated with investments and derivative contracts is managed by means of counterparty limits approved by the Board of Directors. Derivative contracts are entered into only with counterparties that are judged to be highly creditworthy and financially solid. Cash assets are invested in financial instruments that are judged to be liquid and to have a low risk. At the balance sheet date, 31 December 2013, the Group's liquid assets consisted mainly of deposits in banks, with a very short maturity. The Group does not incur major credit risk relating to commercial trade receivables because its outstanding receivables consist of a large amount of small receivables, and customers are primarily private individuals whose creditworthiness has been checked.

## Ageing of trade receivables

EUR mill.	2013	2012
Trade receivables not due	46,1	56,3
Trade receivables fallen due in 1–30 days	11,0	6,6
Trade receivables fallen due in 31–120 days	2,4	0,9
Trade receivables fallen due in over 120 days	2,7	2,9
<b>Total</b>	<b>62,1</b>	<b>66,8</b>

The carrying amount of trade receivables corresponds to the maximum amount of the credit risk for them. EUR 1.1 million of impairment losses were recognized on trade receivables in 2013 (2012: EUR 1.4 million), the impairment charge being mainly made for trade receivables fallen due in over 120 days. Based on experience, Stockmann estimates that there is no need to recognize an impairment loss on trade receivables that have not fallen due.

## Management of the capital structure

The Group's objective in managing the capital structure is an efficient capital structure that ensures the Group's operating fundamentals in the capital markets in all conditions irrespective of volatility in the sector. Although the Group does not have a public credit rating issued by a credit rating agency, the objective is to maintain the same type of capital structure as do other retailers who have a good credit rating. The Group monitors the trend in its capital structure by measuring the proportion of equity to total capital (equity ratio). As a result of the acquisition of Lindex the Group has Swedish Krona-denominated assets which are hedged by Swedish Krona-denominated external loans and/or forwards. The fluctuations of the Swedish Krona have impact on the total assets and liabilities equally. The strategic goal is to have an equity ratio amounting to at least 40 per cent. The ratio of equity to total capital at December 31, 2013 was 43.8 per cent (at December 31, 2012 it was 42.8 per cent).

## 30. Events after the balance sheet

The company's management is not aware of materially important events after the balance sheet date, which might have affected the preparation of the financial statements.



**Stockmann plc**  
**Income Statement, FAS**

	Ref.	1.1.-31.12.2013 EUR	% of Rev.	1.1.-31.12.2012 EUR	% of Rev.
<b>REVENUE</b>		<b>838 241 850,27</b>	100,0	866 555 081,45	100,0
<b>Other operating income</b>	2	<b>20 889 747,55</b>	2,5	17 988 203,18	2,1
<b>Materials and services</b>					
Materials and consumables:					
Purchases during the financial year		493 956 186,24		522 859 006,89	
Change in inventories, increase (-), decrease (+)		7 181 210,03		-16 587 891,49	
<b>Materials and services, total</b>		<b>501 137 396,27</b>	59,8	506 271 115,40	58,4
<b>Wages, salaries and employee benefits expenses</b>	3	<b>170 262 634,00</b>	20,3	174 493 118,38	20,1
<b>Depreciation, amortisation and reduction in value</b>	4	<b>21 630 422,60</b>	2,6	18 829 649,78	2,2
<b>Other operating expenses</b>	5	<b>155 877 684,75</b>	18,6	161 680 018,41	18,7
		<b>848 908 137,62</b>	101,3	861 273 901,97	99,4
<b>OPERATING PROFIT</b>		<b>10 223 460,20</b>	1,2	23 269 382,66	2,7
<b>Financial income and expenses</b>	6	<b>12 251 303,12</b>	1,5	56 423 120,43	6,5
<b>PROFIT BEFORE EXTRAORDINARY ITEMS</b>		<b>22 474 763,32</b>	2,7	79 692 503,09	9,2
<b>Extraordinary items</b>	7				
Extraordinary income				6 650 000,00	
Extraordinary expenses				-45 900 000,00	
<b>Extraordinary items, total</b>				<b>-39 250 000,00</b>	<b>-4,5</b>
<b>PROFIT BEFORE APPROPRIATIONS AND TAXES</b>		<b>22 474 763,32</b>	2,7	40 442 503,09	4,7
<b>Appropriations</b>	8	<b>-7 074 779,92</b>	-0,8	-10 022 030,88	-1,2
<b>Income taxes</b>					
For the financial year				116 962,38	
For previous financial years		167 813,72		65 634,90	
<b>Income taxes, total</b>		<b>167 813,72</b>	0,0	182 597,28	0,0
<b>PROFIT FOR THE PERIOD</b>		<b>15 232 169,68</b>	1,8	30 237 874,93	3,5

**Stockmann plc**  
**Balance sheet, FAS**

<b>ASSETS</b>	<b>Ref.</b>	<b>31.12.2013</b>	<b>31.12.2012</b>
		<b>EUR</b>	<b>EUR</b>
<b>NON-CURRENT ASSETS</b>			
<b>Intangible assets</b>	9		
Intangible rights		28 569 429,65	16 684 190,91
Goodwill		646 905,07	1 078 175,11
Advance payments and projects in progress		21 918 022,96	22 122 402,79
<b>Intangible assets, total</b>		<b>51 134 357,68</b>	<b>39 884 768,81</b>
<b>Property, plant, equipment</b>	10		
Land and water		12 492 158,96	12 492 158,96
Buildings and constructions		304 186 137,93	312 101 155,64
Machinery and equipment		14 315 336,13	12 373 129,61
Modification and renovation expenses for leased premises		4 013 278,81	3 944 730,45
Other tangible assets		55 055,76	55 055,76
Advance payments and construction in progress		3 957 597,65	3 725 419,80
<b>Property, plant, equipment, total</b>		<b>339 019 565,24</b>	<b>344 691 650,22</b>
<b>Investments</b>	11		
Holdings in Group undertakings		244 796 642,63	252 302 665,69
Other shares and participations		10 458 939,61	10 456 939,61
<b>Investments, total</b>		<b>255 255 582,24</b>	<b>262 759 605,30</b>
<b>NON-CURRENT ASSETS, TOTAL</b>		<b>645 409 505,16</b>	<b>647 336 024,33</b>
<b>CURRENT ASSETS</b>			
<b>Inventories</b>			
Materials and consumables		104 107 999,19	111 289 209,22
<b>Inventories, total</b>		<b>104 107 999,19</b>	<b>111 289 209,22</b>
<b>Non-current receivables</b>			
Loans owed by Group undertakings			1 062 987 861,30
<b>Non-current receivables, total</b>			<b>1 062 987 861,30</b>
<b>Current receivables</b>	12		
Trade receivables		53 838 133,15	58 390 731,82
Amounts owed by Group undertakings		1 083 484 042,67	61 309 522,62
Other receivables		3 990 412,78	4 140 468,65
Prepayments and accrued income		16 041 095,98	8 595 164,28
<b>Current receivables, total</b>		<b>1 157 353 684,58</b>	<b>132 435 887,37</b>
<b>Cash in hand and at banks</b>	13	<b>7 302 652,40</b>	<b>7 704 445,15</b>
<b>CURRENT ASSETS, TOTAL</b>		<b>1 268 764 336,17</b>	<b>1 314 417 403,04</b>
<b>ASSETS, TOTAL</b>		<b>1 914 173 841,33</b>	<b>1 961 753 427,37</b>

**Stockmann plc**  
**Balance sheet, FAS**

**EQUITY AND LIABILITIES**

	Ref.	31.12.2013 EUR	31.12.2012 EUR
<b>EQUITY</b>	14-15		
Share capital		<b>144 097 366,00</b>	144 097 366,00
Premium fund		<b>186 346 445,72</b>	186 346 445,72
Reserve for invested unrestricted equity		<b>255 735 789,28</b>	255 735 789,28
Other funds		<b>43 728 921,17</b>	43 728 921,17
Retained earnings		<b>79 472 951,08</b>	92 413 882,09
Net profit for the financial year		<b>15 232 169,68</b>	30 237 874,93
<b>EQUITY, TOTAL</b>		<b>724 613 642,93</b>	752 560 279,19
<b>ACCUMULATED APPROPRIATIONS</b>	16	<b>123 169 972,86</b>	116 095 192,94
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bonds		<b>150 000 000,00</b>	150 000 000,00
Loans from credit institutions		<b>319 930 166,01</b>	352 625 391,68
Amounts owed to Group undertakings			127 736 336,95
<b>Non-current liabilities, total</b>		<b>469 930 166,01</b>	630 361 728,63
<b>Current liabilities</b>	17-18		
Loans from credit institutions		<b>8 888 888,88</b>	
Pension loans			48 166 666,64
Other interest bearing loan		<b>327 900 216,78</b>	271 089 075,09
Trade payables		<b>66 371 705,28</b>	67 517 145,64
Amounts owed to Group undertakings		<b>123 019 816,17</b>	3 835 860,22
Other payables		<b>31 509 574,00</b>	30 987 352,72
Accrued expenses and prepaid income		<b>38 769 858,42</b>	41 140 126,30
<b>Current liabilities, total</b>		<b>596 460 059,53</b>	462 736 226,61
<b>LIABILITIES, TOTAL</b>		<b>1 066 390 225,54</b>	1 093 097 955,24
<b>EQUITY AND LIABILITIES, TOTAL</b>		<b>1 914 173 841,33</b>	1 961 753 427,37

**Stockmann plc**  
**Cash flow statement**

	2013 EUR	2012 EUR
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit for the financial year	15 232 169,68	30 237 874,93
<b>Adjustments:</b>		
Depreciation	21 630 422,60	18 829 649,78
Other adjustments		39 368 391,70
Financial income and expenses	-12 251 303,12	-56 423 120,43
Appropriations	7 074 779,92	10 022 030,88
Income taxes	167 813,72	182 597,28
<b>Changes in working capital:</b>		
Change in trade and other receivables	-7 840 573,97	-2 295 505,06
Change in inventories	7 181 210,03	-16 587 891,49
Change in trade payables and other liabilities	966 737,61	-4 337 843,04
Interest and other financial expenses paid	-29 636 516,42	-34 574 068,71
Interest received	42 768 733,09	52 774 639,30
Income taxes paid	-336 214,46	2 261 174,97
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>44 957 258,68</b>	<b>39 457 930,11</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure on tangible and intangible assets	-31 683 081,87	-28 186 925,12
Additions to holdings in Group undertakings	-2 000 000,00	-41 424 000,01
Proceeds from disposal of subsidiary shares	426 608,00	
Capital expenditures on other investments	-2 000,00	
Proceeds from disposal of other investments		2 290 776,30
Proceeds from repayments of loan receivables	18 354 663,29	14 580 762,21
Dividends received	33 251 114,14	34 421 768,37
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>18 347 303,56</b>	<b>-18 317 618,25</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (-)/decrease (+) of loan receivables	-19 673 130,88	37 596 529,12
Proceeds from issue of share capital		1 723 109,66
Proceeds from (+)/ repayments of (-) short-term loans	8 644 475,03	-5 489 268,91
Repayments of long-term loans	-260 284 102,88	-290 222 876,27
Proceeds from long-term loans	246 585 613,54	304 052 293,71
Dividends paid	-43 229 209,80	-35 920 414,50
Proceeds from (+)/ payment of (-) group contributions	4 250 000,00	-35 118 000,00
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>-63 706 354,99</b>	<b>-23 378 627,19</b>
<b>Change in cash in hand and at banks</b>	<b>-401 792,75</b>	<b>-2 238 315,33</b>
<b>Cash in hand and at banks at start of the financial year</b>	<b>7 704 445,15</b>	<b>9 942 760,48</b>
<b>Cash in hand and at banks at end of the financial year</b>	<b>7 302 652,40</b>	<b>7 704 445,15</b>

## Notes to financial statements

### 1. ACCOUNTING PRINCIPLES

Stockmann plc's annual accounts have been prepared in accordance with the Finnish Accounting standards.

#### Transactions in foreign currencies

Transactions in foreign currencies are recorded at the rates prevailing on the transaction date.

At the end of accounting period foreign currency debtors and creditors in the balance sheet are translated at the rates prevailing on the balance sheet date. Gains and losses on foreign exchange in financial operations are entered as net amounts under other financial income or other financial expenses.

#### Revenue

Revenue comprises sales income excluding indirect taxes, discounts granted and foreign exchange differences.

#### Other operating income

The items stated as other operating income are capital gains on the sale of non-current assets connected with business operations, compensation obtained from the sale of businesses as well as charges for services rendered to foreign subsidiaries.

#### Extraordinary income and expenses

The items stated as extraordinary income and expenses are contributions from and to Group companies.

#### Income taxes

The direct taxes entered in the profit and loss account are the taxes corresponding to net profit for the financial year as well as taxes payable for prior periods or tax refunds. Deferred taxes are not included in the parent's income statement and balance sheet.

#### Tangible and intangible assets

Tangible and intangible assets are valued according to the original cost excluding planned depreciation. The balance sheet values furthermore include revaluations of land areas and buildings. Revaluations have been made during the period from 1950 to 1984 and are based on then estimates of real-estate valuers. Revaluations are not depreciated.

Planned depreciation is based on the original cost and the estimated economically useful life of intangible and tangible assets as follows:

-	Intangible assets	3 - 10 years
-	Goodwill	5 years
-	Modification and renovation expenses for leased premises	5 - 10 years
-	Buildings	20 - 50 years
-	Machinery and equipment	4 - 10 years
-	Vehicles and data processing equipment	3 - 5 years

#### Inventories

In the valuation of inventories the principle of lowest value has been used, i.e. the inventories have been entered in the balance sheet at the lowest of acquisition cost or a lower repurchase price or the probable market price. The value of inventories is determined using the FIFO method, the weighted average cost method or the retail method and it includes all the direct costs of the purchase.

#### Financial instruments

Securities included in non-current assets are valued at acquisition cost or, if their market value has decreased permanently, at this lower value.

Other securities are valued at acquisition cost or, if their market value is lower, at this lower value.

Exchange and interest rate differences related to derivative agreements made to hedge against foreign exchange rate risk were entered on an accrual basis as financial income and expenses.

**2. Other operating income**

EUR	2013	2012
Compensation for services to Group companies	16 899 687,32	13 744 127,13
Rental income from subsidiaries	3 914 862,99	3 713 141,64
Other operating income	75 197,24	530 934,41
<b>Total</b>	<b>20 889 747,55</b>	<b>17 988 203,18</b>

**3. Wages, salaries and employee benefits expenses**

EUR	2013	2012
Salaries and emoluments paid to the CEO and his alternate	618 480,00	627 200,00
Salaries and emoluments paid to the Board of Directors	385 500,00	401 000,00
Other wages and salaries	133 611 764,05	136 209 201,33
Wages during sick leave	4 041 137,89	4 455 787,48
Pension expenses	23 996 107,33	24 739 086,26
Other staff expenses	7 609 644,73	8 060 843,31
<b>Total</b>	<b>170 262 634,00</b>	<b>174 493 118,38</b>

**Staff, average** 5 198                      5 408

**Management pension liabilities**

Under the agreement, Mr. Hannu Penttilä is entitled to retire in April 2013 when he turns 60. Mr. Penttilä did not exercise this entitlement but has continued as CEO from April 2013 onwards. The CEO's pension is determined on the basis of TyEL insurance under the Pensions Act (TyEL), and a separate insurance taken by the company.

**4. Depreciation and reduction in value**

EUR	2013	2012
Intangible rights	5 938 844,54	4 025 529,51
Goodwill	431 270,04	431 270,05
Modification and renovation expenses for leased premises	1 331 570,78	1 284 541,93
Buildings and constructions	9 215 176,68	9 162 718,41
Machinery and equipment	4 713 560,56	3 925 589,88
<b>Total</b>	<b>21 630 422,60</b>	<b>18 829 649,78</b>

**5. Other operating expenses**

EUR	2013	2012
Site expenses	74 321 613,27	77 572 958,85
Marketing expenses	25 142 386,22	29 451 767,36
IT and telecommunication expenses	19 353 720,00	8 967 272,93
Goods handling expenses	18 002 735,09	16 984 277,19
Voluntary indirect employee expenses	2 615 402,17	3 527 610,75
Credit losses	1 383 177,23	1 468 269,44
Other expenses	15 058 650,77	23 707 861,89
<b>Total</b>	<b>155 877 684,75</b>	<b>161 680 018,41</b>

**Auditors' fees**

EUR	2013	2012
Audit fees	166 345,00	175 100,00
Tax consulting	88 424,00	244 169,00
Certificates and advice	632,00	8 640,00
Other services	13 500,00	105 200,00
<b>Total</b>	<b>268 901,00</b>	<b>533 109,00</b>

**6. Financial income and expenses**

EUR	2013	2012
Interim dividend from Group undertakings	<b>28 490 478,72</b>	33 069 214,64
Other dividend income	<b>181 899,50</b>	231 912,00
Interest income from Group undertakings	<b>41 893 304,42</b>	52 362 377,10
Interest income from parties outside the Group	<b>982 785,50</b>	526 339,80
Interest expenses to Group undertakings	<b>-2 032 052,21</b>	-1 851 514,84
Interest expenses to parties outside the Group	<b>-30 006 535,84</b>	-32 450 661,41
Impairment of investments within non-current assets		-2 119 989,79
Other financial expenses to parties outside the Group	<b>-9 986 796,22</b>	-82 914,62
Foreign exchange gains and losses (net)	<b>-17 271 780,75</b>	6 738 357,55
<b>Total</b>	<b>12 251 303,12</b>	56 423 120,43

**7. Extraordinary items**

EUR	2013	2012
Group contributions from Group companies		6 650 000,00
Group contributions to Group companies		-45 900 000,00
<b>Total</b>		<b>-39 250 000,00</b>

**8. Appropriations**

EUR	2013	2012
Change in depreciation reserve		
Intangible rights	<b>-235 160,50</b>	-801 563,70
Modification and renovation expenses for leased premises	<b>209 333,17</b>	26 807,49
Buildings and constructions	<b>-7 149 276,64</b>	-8 958 607,67
Machinery and equipment	<b>100 324,05</b>	-288 667,00
<b>Total</b>	<b>-7 074 779,92</b>	-10 022 030,88

**Non-current assets****9. Intangible assets**

## Intangible rights

EUR	2013	2012
Acquisition cost Jan. 1	<b>25 746 985,52</b>	17 583 277,18
Increases	<b>2 308 627,34</b>	1 136 596,86
Transfers between items	<b>15 515 455,94</b>	8 014 758,58
Decreases	<b>-2 971 289,41</b>	-987 647,10
Acquisition cost Dec. 31	<b>40 599 779,39</b>	25 746 985,52
Accumulated depreciation Jan. 1	<b>9 062 794,61</b>	6 024 912,20
Depreciation on reductions	<b>-2 971 289,41</b>	-987 647,10
Depreciation for the financial year	<b>5 938 844,54</b>	4 025 529,51
Accumulated depreciation Dec. 31	<b>12 030 349,74</b>	9 062 794,61
<b>Book value Dec. 31</b>	<b>28 569 429,65</b>	16 684 190,91

## Goodwill

EUR mill.	2013	2012
Acquisition cost Jan. 1 and Dec. 31	<b>2 156 350,22</b>	2 156 350,22
Accumulated depreciation Jan. 1	<b>1 078 175,11</b>	646 905,06
Depreciation for the financial year	<b>431 270,04</b>	431 270,05
Accumulated depreciation Dec. 31	<b>1 509 445,15</b>	1 078 175,11
<b>Book value Dec. 31</b>	<b>646 905,07</b>	1 078 175,11

## Advance payments and projects in progress

EUR	2013	2012
Acquisition cost Jan. 1	22 122 402,79	8 088 967,68
Increases	15 311 076,11	22 121 408,28
Transfers between items	-15 515 455,94	-8 087 973,17
Acquisition cost Dec. 31	21 918 022,96	22 122 402,79
Book value Dec. 31	21 918 022,96	22 122 402,79

<b>Intangible assets, total</b>	<b>51 134 357,68</b>	<b>39 884 768,81</b>
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## 10. Tangible assets

## Land and water

EUR	2013	2012
Acquisition cost Jan. 1 and Dec. 31	6 593 808,38	6 593 808,38
Revaluations Jan. 1 and Dec. 31	5 898 350,58	5 898 350,58
Book value Dec. 31	12 492 158,96	12 492 158,96

## Buildings and constructions

EUR	2013	2012
Acquisition cost Jan. 1	355 890 276,76	353 455 230,26
Increases	241 492,91	84 826,84
Transfers between items	1 058 666,06	2 497 734,08
Decreases	-2 415 765,26	-147 514,42
Acquisition cost Dec. 31	354 774 670,47	355 890 276,76
Accumulated depreciation Jan. 1	70 319 830,72	61 285 542,33
Depreciation on reductions	-2 415 765,26	-128 430,02
Depreciation for the financial year	9 215 176,68	9 162 718,41
Accumulated depreciation Dec. 31	77 119 242,14	70 319 830,72
Revaluations Jan. 1 and Dec. 31	26 530 709,60	26 530 709,60
Book value Dec. 31	304 186 137,93	312 101 155,64

## Machinery and equipment

EUR	2013	2012
Acquisition cost Jan. 1	21 311 387,36	20 560 332,21
Increases	1 989 944,66	1 183 971,11
Transfers between items	4 665 822,42	2 661 370,51
Decreases	-2 685 150,10	-3 094 286,47
Acquisition cost Dec. 31	25 282 004,34	21 311 387,36
Accumulated depreciation Jan. 1	8 938 257,75	8 103 117,75
Depreciation on reductions	-2 685 150,10	-3 090 449,88
Depreciation for the financial year	4 713 560,56	3 925 589,88
Accumulated depreciation Dec. 31	10 966 668,21	8 938 257,75
Book value Dec. 31	14 315 336,13	12 373 129,61



## Modification and renovation expenses for leased premises

EUR	2013	2012
Acquisition cost Jan. 1	12 726 797,10	12 504 504,37
Increases	67 275,50	162 926,91
Transfers between items	1 332 843,64	209 087,77
Decreases	-1 541 954,28	-149 721,95
Acquisition cost Dec. 31	12 584 961,96	12 726 797,10
Accumulated depreciation Jan. 1	8 782 066,65	7 648 816,81
Depreciation on reductions	-1 541 954,28	-151 292,09
Depreciation for the financial year	1 331 570,78	1 284 541,93
Accumulated depreciation Dec. 31	8 571 683,15	8 782 066,65
Book value Dec. 31	4 013 278,81	3 944 730,45

## Other tangible assets

EUR	2013	2012
Acquisition cost Jan. 1 and Dec. 31	55 055,76	55 055,76
Book value Dec. 31	55 055,76	55 055,76

## Advance payments and construction in progress

EUR	2013	2012
Acquisition cost Jan. 1	3 725 419,80	2 407 909,26
Increases	7 289 509,97	6 612 488,31
Transfers between items	-7 057 332,12	-5 294 977,77
Book value Dec. 31	3 957 597,65	3 725 419,80

**Tangible assets, total** **339 019 565,24** **344 691 650,22**

## Revaluations included in balance sheet values

EUR	2013	2012
Land and water	5 898 350,58	5 898 350,58
Buildings	26 530 709,60	26 530 709,60
Total	32 429 060,18	32 429 060,18

Revaluations of real-estate properties have been made during the period from 1950 to 1984 and are based on then estimates of real-estate values.

**11. Investments**

## Holdings in Group undertakings

EUR	2013	2012
Acquisition cost Jan. 1	252 302 665,69	216 278 966,28
Increases	2 000 000,00	41 424 000,01
Decreases	-9 506 023,06	-3 280 310,81
Impairments		-2 119 989,79
Book value Dec. 31	244 796 642,63	252 302 665,69

## Other shares and participations

EUR	2013	2012
Acquisition cost Jan. 1	10 456 939,61	10 456 939,61
Increases	2 000,00	
Book value Dec. 31	10 458 939,61	10 456 939,61

**Investments, total** **255 255 582,24** **262 759 605,30**

**12. Current receivables****Trade receivables**

EUR	2013	2012
Interest-bearing trade receivables	39 591 982,52	43 823 612,77
Non-interest bearing trade receivables	14 246 150,63	14 567 119,05
<b>Trade receivables, total</b>	<b>53 838 133,15</b>	<b>58 390 731,82</b>

**Amounts owed by Group undertakings**

EUR	2013	2012
Loan receivables	1 028 055 035,21	
Dividend receivables	28 490 478,72	33 069 214,64
Trade receivables	23 010 602,23	1 894 739,93
Account receivables	3 835 197,40	19 686 244,08
Group contribution receivables		6 650 000,00
Prepayments and accrued income	92 729,11	9 323,97
<b>Total</b>	<b>1 083 484 042,67</b>	<b>61 309 522,62</b>

**Essential items in prepayments and accrued income**

EUR	2013	2012
Receivables from derivatives	6 323 103,62	747 244,50
IT expenses	2 091 929,30	1 387 922,72
Receivable from credit card co-operation	1 890 791,39	3 071 268,17
Periodized financial income	1 750 000,00	8 579,90
Indirect employee expenses	1 736 409,37	1 704 924,00
Marketing expenses	654 098,86	763 984,85
Discounts	580 789,20	477 205,61
Income taxes	170 948,28	
Other prepayments and accrued income	843 025,96	434 034,53
<b>Total</b>	<b>16 041 095,98</b>	<b>8 595 164,28</b>

**13. Cash in hand and at banks**

Cash in hand and at banks comprise bank deposits and cash in hand.

Their book value is equivalent to their market value.

**14. Changes in equity**

## Share capital

EUR	2013	2012
Series A shares Jan. 1	61 255 126,00	61 255 126,00
Conversion to Series B shares	-63 596,00	
Series A shares Dec. 31	61 191 530,00	61 255 126,00
Series B shares Jan. 1	82 842 240,00	82 426 532,00
Share issue		415 708,00
Conversion from Series A shares	63 596,00	
Series B shares Dec. 31	82 905 836,00	82 842 240,00
<b>Share capital, total</b>	<b>144 097 366,00</b>	<b>144 097 366,00</b>
Premium fund Jan. 1 and Dec. 31	186 346 445,72	186 346 445,72
Reserve for invested unrestricted equity Jan. 1	255 735 789,28	254 428 387,62
Share issue		1 307 401,66
<b>Reserve for invested unrestricted equity Dec. 31</b>	<b>255 735 789,28</b>	<b>255 735 789,28</b>

Other funds Jan. 1 and Dec. 31	43 728 921,17	43 728 921,17
Retained earnings Jan. 1	122 651 757,02	128 286 440,96
Dividends	-43 229 209,80	-35 920 414,50
Dividends which haven't been drawn	50 403,86	47 855,63
Retained earnings Dec. 31	79 472 951,08	92 413 882,09
Net profit for the financial year	15 232 169,68	30 237 874,93
Equity, total	724 613 642,93	752 560 279,19

#### Breakdown of distributable funds Dec. 31

EUR	2013	2012
Funds	299 464 710,45	299 464 710,45
Retained earnings	79 472 951,08	92 413 882,09
Net profit for the financial year	15 232 169,68	30 237 874,93
Total	394 169 831,21	422 116 467,47

#### 15. Parent company's shares

Par value EUR 2.00	shares	shares
Series A shares (10 votes each)	30 595 765	30 627 563
Series B shares (1 vote each)	41 452 918	41 421 120
Total	72 048 683	72 048 683

#### 16. Accumulated appropriations

The accumulated appropriations comprise accumulated depreciation difference.

#### 17. Current liabilities

EUR	2013	2012
Interest-bearing liabilities	458 607 191,11	319 255 741,73
Non-interest-bearing liabilities	137 852 868,42	143 480 484,88
Total	596 460 059,53	462 736 226,61

#### Amounts owed to Group undertakings

EUR	2013	2012
Trade payables, non-interest-bearing	726 508,15	661 602,82
Group contributions payable		2 400 000,00
Other current liabilities, interest-bearing	121 818 085,48	306 572,40
Other current liabilities, non-interest-bearing	475 222,54	467 685,00
Total	123 019 816,17	3 835 860,22

#### 18. Essential items in accruals and prepaid income

EUR	2013	2012
Staff expenses	29 432 951,43	28 837 468,28
Interest and other financial expenses	4 704 106,27	2 323 966,84
Derivative payables	2 669 195,28	5 535 025,64
Reserve for returns	915 019,32	866 009,25
Income taxes	113 008,73	110 461,19
Other accrued expenses and prepaid income	935 577,39	3 467 195,10
Total	38 769 858,42	41 140 126,30

## 19. Security pledged

### Security pledged on behalf of the company

EUR	2013		2012	
	Loan	Security value	Loan	Security value
Mortgages given for long-term pension loans			33 333 333,33	200 000 000,00
Other mortgages given		<b>1 681 800,00</b>		1 681 879,26
Guarantees		<b>550 000,00</b>		
<b>Security pledged on behalf of the company, total</b>		<b>2 231 800,00</b>		<b>201 681 879,26</b>

### Security pledged on behalf of Group undertakings

EUR	2013	2012
Rent guarantees	<b>38 885 158,66</b>	34 657 972,64
Other guarantees	<b>2 526 299,76</b>	19 810 907,89
<b>Total</b>	<b>41 411 458,42</b>	<b>54 468 880,53</b>

### Security pledged, total

EUR	2013	2012
Mortgages	<b>1 681 800,00</b>	201 681 879,26
Guarantees	<b>41 961 458,42</b>	54 468 880,53
<b>Total</b>	<b>43 643 258,42</b>	<b>256 150 759,79</b>

## 20. Other commitments

### Leasing commitments

EUR	2013	2012
Payable during one year	<b>2 216 537,25</b>	4 670 541,01
Payable during more than one year	<b>820 924,77</b>	2 656 271,02
<b>Total</b>	<b>3 037 462,02</b>	<b>7 326 812,03</b>

### Investments in real estate

The company is required to adjust the VAT deductions made on real estate investments completed in 2008-2013, if the VAT-liable use of the real estate decreases during the adjustment period. The last adjustment year is 2023, and the maximum liability is EUR 23 263 932. In 2012 the maximum liability was EUR 28 206 101.

### Pension liabilities

The pension liabilities of the parent company are insured with outside pension insurance companies. The pension liabilities are fully covered.

## Group undertakings

Parent company holdings	Shareholding		Voting rights		Cur- rency	Book value	Shareholders' equity
	Number	%	%	%			
Seppälä Oy, Helsinki	30 000	100	100	100	EUR	5 046 000,00	8 976 137,32
Stockmann AS, Tallinn	16 200	100	100	100	EUR	1 022 193,07	34 968 241,15
SIA Stockmann, Riga	1 615 500	100	100	100	LVL	4 830 564,93	5 378 713,72
SIA Stockmann Centrs, Riga	31 500	63	63	63	LVL	115 577,78	5 698 429,51
Oy Stockmann Russia Holding Ab, Helsinki	4 000	100	100	100	EUR	182 305 011,59	1 328 511,14
Oy Suomen Pääomarahoitus- Finlands Kapitalfinans Ab, Helsinki	1 000	100	100	100	EUR	1 682 000,00	1 493 512,85
Stockmann Sverige AB, Stockholm	100 000	100	100	100	SEK	48 843 170,23	66 021 792,82
Kiinteistö Oy Friisinkeskus II, Espoo	1 948	97	97	97	EUR	612 348,47	738 672,71
Oy Hullut Päivät-Gaina Dagar Ab, Helsinki	40	100	100	100	EUR	339 776,56	339 776,56
Parent company holdings, total						244 796 642,63	124 943 787,78

Holdings of subsidiaries	Shareholding		Voting rights		Cur- rency	Book value	Shareholders' equity
	Number	%	%	%			
ZAO Stockmann, Moscow	2 000	100	100	100	RUB	587 082,46	-14 023 993,90
Oy Stockmann Russia Finance Ab, Helsinki	40 000	100	100	100	EUR	783 594,10	3 990 493,40
OOO Stockmann Stp Centre Ltd, St Peterst	5	100	100	100	RUB	13 037 388,43	73 450 879,39
Seppälä Finland Oy, Helsinki	5	100	100	100	EUR	4 877 403,65	2 378 085,26
Oü Seppälä Estonia, Tallinn	1	100	100	100	EUR	1 650 000,00	1 433 768,19
SIA Seppala Latvia, Riga	29 814	100	100	100	LVL	424 664,33	280 428,04
UAB Seppala Lithuania, Vilnius	100	100	100	100	LTL	10 000,00	-813 941,87
TOV Stockmann, Kiev	1	100	100	100	UAH		800,41
AB Lindex, Gothenburg	68 750 000	100	100	100	SEK	900 204 309,69	177 435 627,00
<b>AB Lindex holdings of subsidiaries</b>							
Lindex Sverige AB, Gothenburg	36 000	100	100	100	SEK		
Lindex AS, Oslo	200 000	100	100	100	NOK		
Lindex Oy, Helsinki	13 000	100	100	100	EUR		
Lindex Oü, Tallinn		100	100	100	EUR		
Lindex SIA, Riga		100	100	100	LVL		
Lindex UAB, Vilnius		100	100	100	LTL		
Lindex s.r.o., Prague	200	100	100	100	CZK		
AB Espevik, Alingsås	1 000	100	100	100	SEK		
Espevik i Sverige AB, Gothenburg	400 000	100	100	100	SEK		
Lindex H.K. Ltd, Hong Kong	9 900	99	99	99	HKD		
Shanghai Lindex Consulting Company Ltd, Shanghai		100	100	100	CNY		
Lindex Financial Services AB, Gothenburg	13 230	100	100	100	SEK		
Lindex India Private Ltd, New Delhi	10 000	100	100	100	INR		
It will be fit AB, Gothenburg	1 000	100	100	100	SEK		
Lindex GmbH, Dusseldorf		100	100	100	EUR		
Lindex Slovakia s.r.o., Bratislava		100	100	100	EUR		
Lindex PL. Sp.z.o.o., Warsaw		100	100	100	PLN		
Group undertakings owned by subsidiaries, total						921 574 442,66	244 132 145,92
Group undertakings, total						1 166 371 085,29	369 075 933,70

Joint ventures	Shareholding		Cur- rency	Book value
	Number	%		
Kiinteistö Oy Tapiolan Säästötammi Fastighets Ab, Espoo	3 125	37,8	EUR	4 925 753,70
Joint ventures, total				4 925 753,70

The shares of joint ventures are presented in consolidated accounts so that instead of shares assets and liabilities of joint ventures are consolidated in proportion to the Group's interest in the companies.

## Other undertakings

Parent company holdings	Shareholding		Cur- rency	Book value
	Number	%		
Kiinteistö Oy Tapiolan Säästötammi Fastighets Ab, Espoo	3 125	37,8	EUR	6 241 944,22
Tuko Logistics Oy, Kerava	600	10,0	EUR	3 763 117,75
Others				453 877,64
Other parent company holdings, total				10 458 939,61

## BOARD PROPOSAL FOR THE DISTRIBUTION OF PARENT COMPANY PROFIT

The parent company's distributable funds according to the balance sheet at December 31, 2013, were EUR 394.2 million.

According to the Parent Company Balance Sheet at December 31, 2013, the following amounts are at disposal of the Annual General Meeting:

- Retained earnings, including the Contingency fund and the Reserve for invested unrestricted equity	378 937 661.53
- Net profit for the financial year	<u>15 232 169.68</u>
	394 169 831.21

The Board of Directors proposes that this amount be distributed as follows:

- on the 72 048 683 shares owned by external parties be paid a dividend of EUR 0.40 per share for the financial year 2013	28 819 473.20
- to be carried forward to the Contingency fund, Reserve for invested unrestricted equity and Retained earnings	<u>365 350 358.01</u>
	394 169 831.21

No material changes have taken place in the company's financial position after the close of the financial year. The company's liquidity is good, and in the view of the Board of Directors, the proposed dividend payout will not jeopardize the company's ability to meet its payment obligations.

Helsinki, February 12, 2014

Signatures of the Board of Directors and the CEO to the Board report on operations and the financial statements.

BOARD OF DIRECTORS

Christoffer Taxell

Eva Liljebom

Kari Niemistö

Per Sjödel

Kjell Sundström

Charlotta Tallqvist-Cederberg

Carola Teir-Lehtinen

Dag Wallgren

CEO

Hannu Penttilä

Our auditor's report has been issued today.

Helsinki, February 17, 2014

Jari Härmälä  
Authorized Public Accountant

Anders Lundin  
Authorized Public Accountant



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*This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.*

## **AUDITOR'S REPORT**

### ***To the Annual General Meeting of Stockmann plc***

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Stockmann plc for the year ended December 31, 2013. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

#### *Responsibility of the Board of Directors and the CEO*

The Board of Directors and the CEO are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the CEO shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company and the CEO are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in

order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion on the consolidated financial statements*

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

*Opinion on the company's financial statements and the report of the Board of Directors*

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki February 17, 2014

(signed)  
Jari Härmälä  
*Authorized Public Accountant*

(signed)  
Anders Lundin  
*Authorized Public Accountant*