STOCKMANN plc

Financial statements

31.12.2014

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Report by the Board of Directors

The Stockmann Group's consolidated revenue in 2014 was EUR 1 844.5 million (EUR 2 037.1 million), down by 9.5 per cent, or down 5.5 per cent at comparable exchange rates. Operating result excluding NRI was EUR -42.9 million (EUR 54.4 million). Result for the period excluding NRI was EUR -63.4 million (EUR 22.1 million). Earnings per share excluding NRI were EUR -0.88 (EUR 0.30). Non-recurring items were EUR -39.3 million or EUR -36.4 million with tax impact (EUR 26.3 million due to Lindex's tax refund). Reported earnings per share were EUR -1.39 (EUR 0.67) including NRI of EUR -0.51 (EUR 0.37). The Board of Directors will propose to the Annual General Meeting that no dividend be paid on the 2014 result.

Strategy process

Stockmann started to revise its strategy in summer 2014 in order to improve the Group's long-term competitiveness. The strategic direction was set in late 2014, and actions are being taken in line with the new direction.

A new operating structure under three divisions – Stockmann Retail, Real Estate and Fashion Chains – was taken into use as of 1 January 2015. Stockmann will start reporting the fair market value of the Group's real estate properties from 2015 onwards. On 1 January 2015, the fair value of the properties in Helsinki, St Petersburg, Tallinn and Riga totalled EUR 908.3 million. Depreciation of the real estate will be calculated on the market value, and therefore the Group's 2015 depreciation will increase compared to 2014.

Stockmann's strategic goal is to change the company's legal structure in line with the new operating structure. As a result, the Board of Directors has decided to investigate the possibility to incorporate Stockmann's real estate and retail operations into separate subsidiaries.

Stockmann Retail will focus on the Stockmann department stores and stockmann.com online store, with the goal of offering a first-class shopping experience. Stockmann's future selection will have a stronger focus on fashion, cosmetics, food in Stockmann Delicatessen and home products. The offering will be aimed more closely at customers who value convenience, quality and inspiration.

Stockmann will gradually withdraw from its non-core businesses. A new owner is being sought for the Hobby Hall distance retail business, as announced earlier. In the Group's balance sheet at 31 December 2014, Hobby Hall's assets and liabilities are classified as assets held for sale. The Stockmann Beauty cosmetics stores will be closed down by the end of May.

The Real Estate division's aim is to increase the value of properties by maximising cash flows from leasing operations, and to enhance the customer experience with goods and services from attractive new retail tenants. Stockmann has agreed to lease retail space in its department stores to Expert ASA Oy. Expert will open its store in the Helsinki city centre store premises in May 2015, in Turku by the end of June and in Tampere during the autumn.

The Fashion Chains division currently includes the Lindex and Seppälä businesses. Seppälä's operations are being downsized and focused on its key markets, Finland and Estonia. On 2 February 2015, Stockmann signed a letter of intent to sell the ownership of Seppälä to Seppälä's current CEO, Eveliina Melentjeff, and her husband. The management buyout will take place on 1 April 2015 and will cover 82 Seppälä stores in Finland and 20 stores in Estonia. In addition, 41 stores in Finland will be closed in 2015. Due to the lease liabilities and other costs related to the store closures, Stockmann recorded EUR 24.7 million as non-recurring expenses in its financial statements.

By focusing on Lindex, Stockmann aims to give it the opportunity to grow into a truly global fashion brand. Lindex will be developed independently, under the governance of an operational Board of Directors, which has members representing Stockmann and external members.

Stockmann has decided to launch an efficiency programme, including four planned department store closures, and the closure of Lindex's operations in Russia, with an annual cost savings target of EUR 50 million.

Revenue and earnings

The retail market environment was weak in 2014. In Finland, GDP growth was continuously low, consumer confidence weakened and purchasing power declined. The Finnish fashion market was down by 6.4 per cent in 2014 (TMA index). In Sweden, the fashion market for the full year was on a par with 2013 (Stilindex). In Russia, economic growth stagnated and the rouble reached all-time low during the fourth quarter of 2014, significantly weakening the purchasing power of Russian consumers. The retail market in the Baltic countries was relatively stable in 2014 and in particular in Latvia where trade was boosted at the beginning of 2014 when the country joined the euro.

The Stockmann Group's revenue for the financial year was down by 9.5 per cent to EUR 1 844.5 million (2013: EUR 2 037.1 million), or down by 5.5 per cent at comparable exchange rates. If the terminated franchising operations are excluded, revenue declined by 9.3 per cent. Revenue was down in both divisions.

Revenue in Finland was down by 10.2 per cent, to EUR 882.8 million (EUR 983.2 million). Excluding the terminated Zara franchising, revenue was down by 9.9 per cent.

Revenue in other countries amounted to EUR 961.7 million (EUR 1 053.9 million). Revenue was down by 0.6 per cent at comparable exchange rates. The Russian rouble, the Swedish krona and the Norwegian krone continued to be weaker than in 2013, and therefore the euro-denominated revenue was down by 8.7 per cent. Operations outside of Finland accounted for 52.1 per cent (51.7 per cent) of the total revenue.

The Group's gross profit for the financial year was down, to EUR 859.9 million (EUR 990.1 million). The gross margin was 46.6 per cent (48.6 per cent).

Operating costs include EUR 39.3 million of non-recurring expenses, of which EUR 24.7 million was due to Seppälä's store closures. These expenses have mainly been allocated to the Stockmann Group's common costs since the closing stores will not be included in Seppälä's planned management buyout. Operating costs excluding non-recurring items (NRI) were down by 3.4 per cent or EUR 29.6 million. Including NRI, costs were EUR 871.1 million (EUR 861.4 million). Operating costs accounted for 47.2 per cent (42.3 per cent) of revenue. Depreciation was EUR 71.0 million (EUR 74.5 million).

The consolidated operating result for 2014, excluding NRI, was EUR -42.9 million. The reported operating result was EUR -82.2 million (EUR 54.4 million). The operating result was weaker than in 2013 in both divisions and declined particularly in Finland.

Net financial expenses for the financial year were down by EUR 6.1 million, to EUR 21.4 million (EUR 27.6 million). The decline was mainly due to low interest rate levels. In 2013, Lindex received non-recurring interest income of EUR 3.5 million from the tax authorities and this is included in the net financial expenses. Non-recurring foreign exchange gains amounted to EUR 0.9 million (2013: losses EUR 1.5 million).

Result before taxes for the financial year, excluding NRI was EUR -64.3 million (EUR 23.3 million) and reported result before taxes was EUR -103.6 million (EUR 26.8 million). A tax credit of EUR 3.8 million was booked for 2014. In 2013, the tax credit was EUR 21.6 million and it included

Lindex's tax refund of EUR 22.8 million. Result for the year, excluding NRI, was EUR -63.4 million (EUR 22.1 million) and reported result for the year was EUR -99.8 million (EUR 48.4 million).

Earnings per share for the financial year excluding NRI were EUR -0.88 (EUR 0.30). Reported earnings per share amounted to EUR -1.39 (EUR 0.67), and, diluted for share options, to EUR -1.39 (EUR 0.67). Equity per share was EUR 10.55 (EUR 12.42).

Revenue and earnings by division

Department Store Division (Stockmann Retail and Real Estate as of 1 January 2015)

The Department Store Division's full-year revenue was down by 10.7 per cent, EUR 1 101.2 million (EUR 1 232.6 million), or down by 7.2 per cent in comparable currency rates.

Revenue in Finland was EUR 745.9 million (EUR 833.5 million) in 2014. Excluding the Zara franchising, revenue was down by 10.2 per cent. Revenue declined at all department stores but revenue from the Stockmann online store was strongly up, by 21.6 per cent. Hobby Hall's revenue in 2014 was EUR 97.6 million (EUR 112.2 million).

Revenue from international operations was EUR 355.2 million (EUR 399.1 million) and accounted for 32.3 per cent (32.4 per cent) of the division's total revenue. Revenue was up in the Baltic countries, by 2.2 per cent to EUR 98.6 million (EUR 96.5 million), and on a par with 2013 in Russia, measured in roubles. Due to the weak Russian rouble, euro-denominated revenue was down by 15.2 per cent to EUR 256.6 million (EUR 302.6 million) in Russia.

The gross margin for the financial year was 37.5 per cent (40.1 per cent). The decline was due to the weakened Russian rouble and price-driven campaigns in Finland. Operating costs excluding NRI decreased by EUR 20.6 million, mostly due to the cost savings programme carried out during the year. Non-recurring items amounted to EUR 6.7 million and they mostly include write-downs of inventory and non-current assets. The operating result excluding NRI was EUR -34.2 million. The reported operating result was EUR -40.9 million (EUR 26.0 million).

Fashion Chains

The Fashion Chain Division's full-year revenue was down by 7.7 per cent, to EUR 743.2 million (EUR 805.2 million). Revenue was down by 9.1 per cent in Finland, to EUR 136.7 million (EUR 150.4 million), and down by 7.4 per cent in international operations, to EUR 606.4 million (EUR 654.8 million). Revenue outside Finland accounted for 81.6 per cent (81.3 per cent) of the division's total revenue.

Lindex's full-year euro-denominated revenue was down by 5.4 per cent and totalled EUR 650.6 million (EUR 688.0 million). Revenue in comparable currency rates was on a par with the previous year. The performance was mixed: revenue grew in Norway and the newest markets but declined in Sweden, Finland and Estonia. Seppälä's revenue was down by 21.1 per cent, to EUR 92.6 million (EUR 117.3 million). Seppälä closed 34 stores (net) in 2014, which partly explains the poor performance. The comparable revenue excluding the store closures was down by 11.9 per cent.

The Fashion Chain Division's gross margin for 2014 was 60.4 per cent (61.7 per cent). Lindex's gross margin was 61.9 per cent (62.6 per cent) and Seppälä's gross margin was 50.3 per cent (56.4 per cent).

The division's full-year operating profit was EUR 0.0 million (EUR 38.6 million). Lindex recorded an operating profit of EUR 30.8 million (EUR 52.9 million). Seppälä's operating result was significantly down. Operating result excluding NRI was EUR -27.2 million and reported operating result was EUR -30.8 million (EUR -14.4 million). In addition, EUR 21.0 million of non-recurring items related to store closures have been allocated in the Stockmann Group's common costs.

Financing and capital employed

Cash and cash equivalents totalled EUR 29.3 million at the close of the year, compared with EUR 33.9 million a year earlier. Cash flow from operating activities was EUR 29.6 million (EUR 125.4 million, including Lindex's tax refund of EUR 26.3 million) for the financial year.

Net working capital excluding cash and cash equivalents amounted to EUR 51.3 million at the close of the year, compared with EUR 133.9 million a year earlier.

Inventories were EUR 239.3 million (EUR 285.8 million). Compared with the previous year, the stock levels were down in both divisions.

Current receivables amounted to EUR 80.1 million (120.9 million). The decline was mostly due to classification of Hobby Hall's interest-bearing receivables as part of assets held for sale. Non-interest-bearing liabilities amounted to EUR 268.1 million (EUR 272.8 million).

Interest-bearing liabilities at the close of the year stood at EUR 833.9 million (EUR 814.8 million), of which EUR 613.2 million (EUR 469.4 million) was long-term debt. In addition, the Group had EUR 296.6 million in undrawn, long-term committed credit facilities and EUR 408.7 million in undrawn uncommitted credit facilities. Most of the short-term debt has been acquired in the commercial paper market.

The equity ratio at the close of the year was 39.3 per cent (43.8 per cent), and net gearing was 105.4 per cent (87.3 per cent).

The return on capital employed over the past 12 months was -4.9 per cent (3.4 per cent). The Group's capital employed decreased by EUR 115.6 million and stood at EUR 1 594.6 million (EUR 1 710.2 million) at the end of the year.

Dividends

In accordance with a resolution of the 2014 Annual General Meeting, a dividend of EUR 0.40 per share was paid on the 2013 financial year, totalling EUR 28.8 million, in April 2014.

At the end of the financial year, on 31 December 2014, the funds available for profit distribution on the parent company's balance sheet amounted to EUR 190.8 million, of which EUR -174.5 million was the net result for the financial year. The funds on the balance sheet declined in 2014 due to the partial write down of investments in the Russian retail operations. The Board of Directors will propose to the Annual General Meeting, to be held on 19 March 2015, that no dividend be paid on the 2014 financial year. EUR 190.8 million would remain in unrestricted equity.

Cost savings programme in 2014

Stockmann carried out structural changes and other cost saving measures across the organisation in 2014. Changes took place in the Department Store Division's marketing at the beginning of the year and in the division's other support functions and Corporate Administration in the autumn.

A new sales organisation model for the department stores in Finland and a centralised centre for customer service were taken into use as of 1 September. In the new model, sales staff focus on selling and customer service, while administration, support services and customer service over the telephone and through online channels are centralised. The comparable annual savings target of these changes is around EUR 10 million and will be fully achieved from 2015 onwards.

In December, Stockmann decided to close down its 11 Stockmann Beauty cosmetic stores in Finland. The stores will be closed by the end of May 2015.

Seppälä decided in August to close its remaining 16 stores in Russia. After codetermination negotiations that ended in December, a decision was made to withdraw from Latvia and Lithuania and to close down 41 stores in Finland during 2015.

A new distribution centre for Stockmann's department stores and online store in Finland and the Baltic countries was decided to take into use in 2016. In addition to operational improvements, Stockmann is targeting an annual cost saving of approximately EUR 6.5 million, excluding depreciation of the automation technology investment. Savings are expected to be achieved in full from 2018 onwards.

Capital expenditure

Capital expenditure during the financial year totalled EUR 53.8 million (EUR 56.8 million), which was lower than depreciation, which was at EUR 71.0 million (74.4 million).

The Department Store Division's capital expenditure for the financial year totalled EUR 28.9 million (EUR 26.9 million). In 2014 a new enterprise resource planning (ERP) system was fully taken into use. A total of EUR 7.0 million was invested in this project in 2014. The construction of a new distribution centre for Finland and the Baltic countries started during the year. The distribution centre will be located in rented premises, but in 2014, Stockmann invested EUR 5.3 million in automation technology to be used in the centre. The enlarged Tampere department store opened in November 2014. EUR 5.2 million was invested in the project in 2014.

The Fashion Chain Division's capital expenditure for the financial year totalled EUR 21.4 million (EUR 24.7 million). Lindex opened 24 stores and closed 12 stores in 2014. In total there were 491 Lindex stores in 16 countries at the end of the year.

Lindex entered into a franchising partnership with the Chinese company Suning in 2013 with the aim of opening the first Lindex store in China in September 2014. Suning unilaterally withdrew from the franchising agreement at the end of March 2014. Plans to enter the Chinese market will be studied further in 2015.

Seppälä opened three stores and closed 37 stores in 2014. In total there were 175 Seppälä stores in five countries at the end of 2014.

The Group's other capital expenditure totalled EUR 3.5 million (EUR 5.4 million), of which a major part was invested in the Group's new financial management systems.

Stockmann Group	Total 31.12.2013	New stores in 2014	Closed stores in 2014	**Total 31.12.2014**
Department stores*	16			**16**
Stockmann Beauty stores	11			**11**
Hobby Hall and outlet stores	2			**2**
Lindex stores	479	24	12	**491**
of which franchising	*35*	*5*	*4*	***36***
of which own stores	*444*	*19*	*8*	***455***
Seppälä stores	209	3	37	**175**

New Projects

Capital expenditure for 2015 is estimated to amount to approximately EUR 70 million. Most of the capital expenditure will be used for the expansion and refurbishment of the Lindex stores, automation technology in Stockmann's new distribution centre, IT system renewals as well as property and store concept renewals.

Lindex will continue to expand, with a net addition of 10-15 (net) stores in 2015, including franchising stores. In March, Lindex will open its first store in the UK, in the Westfield Stratford City shopping centre in London. Lindex is also planning to close down all its stores in Russia.

Shares and share capital

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

As of the end of 2014, 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 in 2014. The market capitalisation at the end of the year was EUR 460.1 million (EUR 796.0 million).

At the close of 2014, the price of a Series A share was EUR 6.42, compared with EUR 11.06 at the end of 2013, while the price of a the Series B share was EUR 6.36, compared with EUR 11.04 at the end of 2013. Share performance was below the OMX Helsinki Cap and the OMX Helsinki indexes in 2014. A total of 0.9 million (0.4 million) Series A shares and 17.6 million (14.6 million) Series B shares were traded during the year. This corresponds to 3.0 per cent (1.5 per cent) of the average number of Series A shares and 42.5 per cent (35.1 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 2014, Stockmann had 55 343 shareholders, compared with 59 475 a year earlier. Stockmann did not receive any flagging announcements arising from changes in major shareholdings during 2014.

Personnel

The Group's average number of personnel in 2014 was 14 533, which is 430 less than in the previous year (14 963 in 2013 and 15 603 in 2012). The decline took place in the Department Store Division and in Seppälä. In terms of full-time equivalents, the average number of employees decreased by 328 to a total of 11 094 (11 422 in 2013 and 11 898 in 2012).

At the end of 2014, the Group had 14 456 employees (15 441) of whom 6 382 (7 033) were working in Finland. The number of employees working outside of Finland was 8 074 (8 408) representing 56 per cent (54 per cent) of the total. The Department Store Division employed 8 229 people (8 955), Lindex 5 031 (4 999) and Seppälä 1 060 (1 346), while 136 people were employed in the Corporate Administration (141).

The Group's wages and salaries amounted to EUR 303.2 million in 2014, compared with EUR 313.1 million in 2013 and EUR 319.4 million in 2012. The total employee benefits expenses were EUR 383.3 million (EUR 397.8 million), which is equivalent to 20.8 per cent (19.5 per cent) of revenue.

Changes in management

Hannu Penttilä stepped down from his position as the Chief Executive Officer on 26 August 2014 and retired on 31 December 2014, as he had reached the retirement age specified in his service agreement. Kaj-Gustaf Bergh, Chairman of Stockmann's Board of Directors, acted as temporary CEO from 26 August until 10 November when the new CEO, Per Thelin, started in his position.

Board member Kjell Sundström was appointed Chief Strategy Officer as of 23 May 2014. He is heading the strategy process with a fixed-term contract of up to 12 months.

Ingvar Larsson was appointed CEO of Lindex and Director of the Fashion Chain Division as of 6 June 2014, when his predecessor, Göran Bille, resigned from his post.

New directors in the Stockmann Group's Management Committee were appointed as of 1 November 2014: Jouko Pitkänen was appointed Director, Stockmann Retail, Tove Westermarck was appointed Development Director, Björn Teir was appointed Director, Real Estate, and Lauri Veijalainen was appointed Deputy Director, Real Estate. He continues also as Development Director of the Group's international operations. Executive Vice President and Director of the Department Store Division, Maisa Romanainen, resigned from her post in June and left Stockmann in October.

Board of Directors of Lindex

At an extraordinary shareholders' meeting in October, a new operational Board of Directors was chosen for AB Lindex. Stockmann's Board member Per Sjödell was elected as Chairman of the Board. Kjell Sundström, Board member and Chief Strategy Officer of Stockmann, Rossana Mariano, CEO and founder of PR agency RMPR, Tracy Stone, Global Sales Director of GANT, and Pekka Vähähyyppä, CFO of Stockmann, were elected as members of the Board. Caroline Kull Magnusson and Ann-Britt Neckvall will continue as employee representatives.

In December, an extraordinary shareholders' meeting further elected Eva Hamilton, former CEO of Sveriges Television (SVT), and Per Thelin, Stockmann's CEO, as new members of the Board. Thelin replaced Stockmann's CFO Pekka Vähähyyppä in the Board and also serves as the Vice Chairman.

Corporate Social Responsibility

Commitment to responsible operations forms a core part of Stockmann's values and daily operations. Stockmann is committed to the UN's Global Compact initiative, and the company's Code of Conduct defines ways of working for all employees and management staff without exception. In the supply chain for Lindex's, Seppälä's and Stockmann's own brands the manufacturers must comply with the Supplier Code of Conduct, which is based on the Business Social Compliance Initiative's Code of Conduct.

In April, Stockmann was the first fashion seller in Finland to disclose its factory list for suppliers that produce the major part of Stockmann's own fashion brands. Lindex disclosed its supplier and factory list already in 2013. Seppälä published its corresponding list in late 2014.

In October, the international climate initiative CDP (Carbon Disclosure Project) published its report on Nordic companies' reporting and management of carbon emissions. Stockmann received a score of 93 B, which was a significant improvement on the previous year (84 C).

Further information on Stockmann's CSR activities and results will be available in the CSR report, which will be published later in the spring at the company's website stockmanngroup.com.

Risk factors

Stockmann is exposed to risks that arise from the operating environment, risks related to the company's own operations and financial risks. The general economic situation is affecting consumers' purchasing behaviour and purchasing power in all of the Group's market areas. Rapid and unexpected movements in markets may influence the behaviour of both the financial markets and consumers. Uncertainties related to the general economic situation, particularly those related to consumers' purchasing power, and currency fluctuations are considered to be the principal risks that will continue to affect Stockmann during 2015.

Business risks in Russia are greater than in the Nordic countries or the Baltic countries. The operating environment is unstable and the crisis in Ukraine has considerably increased geopolitical tensions. Trade sanctions against Russia by the EU and the USA and counter-measures by Russia may further affect Stockmann's operations. A significant share of the products, that Stockmann sells in Russia, are imported, so trade sanctions would weaken Stockmann's business in the country. The weakening Russian rouble will continue to have a negative impact on consumers' purchasing power.

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.

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.

The Group's revenue, earnings and balance sheet are affected by changes in exchange rates between the Group's reporting currency, which is the euro, and the Swedish krona, the Norwegian krone, the 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 2015

The Russian rouble has weakened considerably and economic growth in Russia is expected to remain at a low level in 2015, having a continuously negative impact on consumers' purchasing power. The weakening purchasing power is also expected to decrease the number of Russian shoppers in Finland and in the Baltic countries. The crisis in Ukraine, sanctions against Russia and their counter-measures may further affect the Russian economy during the year. As a consequence, the outlook for the Russian retail market remains very uncertain.

In Finland, no growth is expected in the retail market in 2015. The demand for non-food products, in particular, remains uncertain. Purchasing power is estimated to remain low, which will have a negative effect on consumer purchasing behaviour.

The affordable fashion market in Sweden and the retail market in the Baltic countries are expected to remain relatively stable. Low consumer confidence may, however, affect consumers' willingness to make purchases in all market areas.

Stockmann's new strategy aims at improving the Group's long-term competitiveness and profitability. An efficiency programme is being launched with planned store closures and an annual cost savings target of EUR 50 million. The effects will start to be reflected in Stockmann's performance mostly beginning in 2016.

Capital expenditure for 2015 is estimated to amount to approximately EUR 70 million. The operating result will be adversely affected by the increase in depreciation due to the fair market valuation of the real estate.

Due to planned structural changes, Stockmann expects the Group's revenue in 2015 to be down on 2014. Operating result excluding non-recurring items is expected to improve, but to remain negative in 2015 due to the performance of the Stockmann Retail division. Operating results for the Real Estate and Fashion Chains divisions are expected to be positive.

Corporate Governance Statement

Stockmann will publish a separate Corporate Governance Statement for 2014 in line with the recommendation by the Finnish Corporate Governance Code. The statement will be published on the company's website and as part of Annual Report 2014 in February.

Helsinki, Finland, 12 February 2015

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 2014 was 55 343 (59 475 shareholders at 31 December 2013).

The company's market capitalization at 31 December 2014 was EUR 460,1 million (EUR 796.0 million at 31 December 2013).

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

	Closing prices Dec. 31, 2014 EUR	Closing prices Dec. 31, 2013 EUR	Change %
Series A	6,42	11,06	-42,0
Series B	6,36	11,04	-42,4

Turnover of shares 2014 on the Helsinki Stock Exchange

	Number of shares	% of total shares outstanding	EUR	Average price EUR
Series A	932 730	3,0	9 115 027	9,76
Series B	17 624 725	42,5	178 194 935	10,00
Total	18 557 455		187 309 962	

Share capital, 31 December 2014

Series A	30 595 765	shares at EUR 2 each	61 191 530	EUR
Series B	41 452 918	shares at EUR 2 each	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 Loyal Customer purchases entitled to subscribe for a total of 2 326 397 share options. A total of 1 166 134 options were subscribed.

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.

During the share subscription period in 2014 no shares were subscribed with the Loyal Customer share options. The last subscription period for share options will be 2 - 31 May 2015. The Board of Directors proposes not to pay a dividend for year 2014 which means that the subscription price 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 Board of Directors proposes not to pay a dividend for year 2014, which means that the subscription price 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 2014, 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

		2014	2013	2012	2011	2010
Revenue	EUR mill.	**1 844,5**	2 037,1	2 116,4	2 005,3	1 821,9
Change on the previous year	%	**-9,5**	-3,7	5,5	10,1	7,3
Operating profit	EUR mill.	**-82,2**	54,4	87,3	70,1	88,8
Change on the previous year	%	**-251,2**	-37,7	24,6	-21,0	4,4
Share of revenue	%	**-4,5**	2,7	4,1	3,5	4,9
Profit before taxes	EUR mill.	**-103,6**	26,8	54,9	35,7	74,2
Change on the previous year	%	**-486,9**	-51,2	54,0	-51,9	21,5
Share of revenue	%	**-5,6**	1,3	2,6	1,8	4,1
Profit for the period		**-99,8**	48,4	53,6	30,8	78,3
Share capital	EUR mill.	**144,1**	144,1	144,1	143,7	142,3
A share	EUR mill.	**61,2**	61,3	61,3	61,3	61,3
B share	EUR mill.	**82,9**	82,8	82,8	82,4	81,0
Dividends*	EUR mill.		28,8	43,2	35,9	58,3
Return on equity	%	**-12,1**	5,4	6,1	3,5	9,0
Return on capital employed	%	**-4,9**	3,4	5,1	4,1	5,8
Capital employed	EUR mill.	**1 657,9**	H	1 737,1	1 715,7	1 668,5
Capital turnover rate		**1,1**	1,2	1,2	1,2	1,1
Inventories rate		**4,1**	3,7	3,8	3,9	3,8
Equity ratio	%	**39,3**	43,8	42,8	42,2	43,1
Net gearing	%	**105,4**	87,3	90,9	95,3	87,7
Investment in fixed assets	EUR mill.	**53,8**	56,9	60,3	66,0	165,4
Share of net turnover	%	**2,9**	2,8	2,8	3,3	9,1
Interest-bearing debtors **	EUR mill.	**5,2**	43,2	43,8	45,6	41,4
Interest-bearing liabilities	EUR mill.	**833,9**	814,8	848,5	862,5	813,3
Interest-bearing net debt **	EUR mill.	**799,4**	737,8	768,6	783,7	735,1
Total assets	EUR mill.	**1 936,5**	2 044,6	2 087,1	2 062,7	2 053,8
Staff expenses	EUR mill.	**383,3**	397,8	405,1	390,0	361,9
Share of net turnover	%	**20,8**	19,5	19,1	19,4	19,9
Personnel, average	persons	**14 533**	14 963	15 603	15 964	15 165
Net turnover per person	EUR thousands	**126,9**	136,1	135,6	125,6	120,1
Operating profit per person	EUR thousands	**-5,7**	3,6	5,6	4,4	5,9
Staff expenses per person	EUR thousands	**26,4**	26,6	26,0	24,4	23,9

*) The Board of Directors proposes to the AGM that no dividend be paid.

**) does not include Hobby Hall's interest-bearing debtors, which are classified as assets held for sale.

Per-share data

		2014	2013	2012	2011	2010
Earnings per share	EUR	**-1,39**	0,67	0,74	0,43	1,10
Earnings per share, diluted	EUR	**-1,39**	0,67	0,74	0,43	1,09
Equity per share	EUR	**10,55**	12,42	12,40	12,11	12,45
Dividend per share *	EUR		0,40	0,60	0,50	0,82
Dividend per earnings *	%		59,5	80,6	116,2	74,5
Cash flow per share	EUR	**0,41**	1,74	1,72	0,93	1,29
Effective dividend yield *	%					
A share			3,6	4,3	3,7	2,8
B share			3,6	4,4	4,2	2,9
P/E ratio of shares**						
A share**		**-4,6**	16,5	18,9	31,9	26,7
B share**		**-4,6**	16,4	18,3	28,0	25,7
Share quotation at 31 December	EUR					
A share		**6,42**	11,06	14,08	13,65	29,40
B share		**6,36**	11,04	13,60	11,98	28,30
Highest price during the period	EUR					
A share		**12,40**	15,20	19,50	29,85	31,50
B share		**12,58**	14,92	18,68	28,48	30,50
Lowest price during the period	EUR					
A share		**6,20**	11,00	13,40	13,44	20,60
B share		**6,21**	10,75	12,12	11,60	18,85
Average price during the period	EUR					
A share		**12,40**	12,51	15,57	18,71	26,97
B share		**10,00**	12,50	15,19	18,68	25,41
Share turnover	thousands					
A share		**933**	447	436	476	1 022
B share		**17 625**	14 564	11 308	15 402	14 582
Share turnover	%					
A share		**3,0**	1,5	1,4	1,6	3,3
B share		**42,5**	35,1	27,3	37,4	36,0
Market capitalization at 31 December	EUR mill.	**460,1**	796,0	994,6	911,8	2 047,1
Number of shares at 31 December	thousands	**72 049**	72 049	72 049	71 841	71 146
A share		**30 596**	30 596	30 628	30 628	30 628
B share		**41 453**	41 453	41 421	41 213	40 518
Weighted average number of shares	thousands	**72 049**	72 049	71 945	71 496	71 120
A share		**30 596**	30 601	30 628	30 628	30 628
B share		**41 453**	41 448	41 318	40 868	40 493
Weighted average number of shares, diluted	thousands	**72 049**	72 049	71 945	71 789	71 897
Total number of shareholders at 31 Deceml	no	**55 343**	59 475	59 283	56 116	44 596

*) The Board of Directors proposes to the AGM that no dividend be paid.

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

Definition of key figures

Profit before taxes	=		Operating profit + financial income less financial expenses
Return on equity, %	=	100 x	Profit for the period / Equity + non-controlling interest (average over the year)
Return on capital employed, %	=	100 x	Profit before taxes + interest and other financial expenses / Capital employed
Capital employed	=		Total assets less deferred tax liability and other non-interest-bearing liabilities (average over the year)
Capital turnover rate	=		Revenue / Total assets less deferred tax liability and other non-interest-bearing liabilities (average over the year)
Inventories rate			365 / Inventories turnover time
Equity ratio, %	=	100 x	Equity + non-controlling interest / Total assets less advance payments received
Net gearing, %	=	100 x	Interest-bearing liabilities less cash and cash equivalents / 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	=		Profit before taxes less non-controlling interest less income taxes / Average number of shares, adjusted for share issues 1)
Equity per share	=		Equity less fund for own shares / Number of shares on the balance sheet date
Dividend per earnings, %	=	100 x	Dividend per share / Earnings per share, adjusted for share issues 1)
Cash flow per share	=		Cash flow from operating activities / Average number of shares, adjusted for share issues 1)
Effective dividend yield, %	=	100 x	Dividend per share / Share quotation at 31 December, adjusted for share issues
P/E ratio of shares	=		Share quotation at 31 December, adjusted for share issues / 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	1/1–12/31/2014	1/1–12/31/2013
REVENUE	2	**1 844,5**	2 037,1
Other operating income	4	**0,0**	0,0
Materials and consumables	5	**-984,6**	-1 046,9
Wages, salaries and employee benefits expenses	6,25,30	**-383,3**	-397,8
Deprecation, amortisation and impairment losses	2,7,12,13	**-71,0**	-74,4
Other operating expenses	8	**-487,8**	-463,6
Total expenses		**-1 926,7**	-1 982,7
OPERATING PROFIT	2	**-82,2**	54,4
Finance income	9	**1,3**	4,5
Finance expenses	9	**-22,7**	-32,1
Total finance income and expenses		**-21,4**	-27,6
PROFIT BEFORE TAX		**-103,6**	26,8
Income taxes	10	**3,8**	21,6
PROFIT FOR THE PERIOD		**-99,8**	48,4
Profit for the period attributable to:			
Equity holders of the parent company		**-99,8**	48,4
Non-controlling interest		**0,0**	0,0
EPS, undiluted, adjusted for share issue, EUR	11	**-1,39**	0,67
EPS, diluted, adjusted for share issue, EUR	11	**-1,39**	0,67

Consolidated statement of comprehensive income

EUR mill.	Note	1/1–12/31/2014	1/1–12/31/2013
PROFIT FOR THE PERIOD		**-99,8**	48,4
Net other comprehensive income which will not be reclassified to profit or loss in subsequent periods			
Remeasurement gains/losses on defined benefit pension liability	25	**0,0**	0,1
Net other comprehensive income which will be reclassified to profit or loss in subsequent periods			
Exchange differences on translating foreign operations	10,19	**-10,1**	-5,8
Cash flow hedges	10,19	**4,0**	0,5
Other comprehensive income for the period, net of tax		**-6,1**	-5,3
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**-105,9**	43,1
Total comprehensive income attributable to:			
Equity holders of the parent company		**-105,9**	43,1
Non-controlling interest		**0,0**	0,0

Consolidated statement of financial position

EUR mill.	Note	12/31/2014	12/31/2013
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Trademark		**96,8**	102,6
Intangible rights		**60,0**	38,8
Other intangible assets		**3,9**	3,1
Advance payments and construction in progress		**3,3**	24,0
Goodwill		**748,1**	793,2
Intangible assets, total	**12**	**912,2**	961,8
Property, plant and equipment			
Land and water		**43,1**	42,1
Buildings and constructions		**426,9**	440,4
Machinery and equipment		**80,9**	95,8
Modification and renovation expenses for leased premises		**26,5**	32,4
Advance payments and construction in progress		**13,2**	5,8
Property, plant and equipment, total	**13**	**590,5**	616,5
Non-current receivables	24,28	**3,4**	0,5
Available-for-sale investments	15	**7,8**	7,9
Deferred tax asset	23	**25,9**	17,3
NON-CURRENT ASSETS, TOTAL		**1 539,7**	1 604,0
CURRENT ASSETS			
Inventories	16	**239,3**	285,8
Current receivables			
Interest-bearing receivables		**2,4**	43,1
Income tax receivables		**2,0**	0,8
Non-interest-bearing receivables		**75,7**	76,9
Current receivables, total	**17**	**80,1**	120,9
Cash and cash equivalents	18	**29,3**	33,9
CURRENT ASSETS, TOTAL		**348,8**	440,6
ASSETS CLASSIFIED AS HELD FOR SALE	**2,3**	**48,0**	0,0
ASSETS, TOTAL		**1 936,5**	2 044,6

EUR mill.	Note	12/31/2014	12/31/2013
EQUITY AND LIABILITIES			
EQUITY			
Share capital		**144,1**	144,1
Share premium fund		**186,1**	186,1
Invested unrestricted equity fund		**250,4**	250,5
Other funds		**47,4**	43,4
Translation reserve		**-5,9**	4,1
Retained earnings		**138,3**	266,8
Equity attributable to equity holders of the parent company	**19**	**760,4**	894,9
Non-controlling interest		**0,0**	0,0
EQUITY, TOTAL		**760,4**	894,9
NON-CURRENT LIABILITIES			
Deferred tax liabilities	23	**62,0**	61,5
Non-current interest-bearing financing liabilities	20	**613,2**	469,4
Provisions for pensions	25	**0,0**	0,1
Non-current non-interest-bearing liabilities and provisions	22,24,28	**0,3**	0,4
NON-CURRENT LIABILITIES, TOTAL		**675,5**	531,4
CURRENT LIABILITIES			
Current interest-bearing financing liabilities	21	**220,7**	345,4
Current non-interest-bearing liabilities			
Trade payables and other current liabilities	21,28	**237,2**	269,4
Income tax liabilities	21	**0,0**	3,3
Current provisions	22	**30,8**	0,2
Current non-interest-bearing liabilities, total		**268,1**	272,8
CURRENT LIABILITIES, TOTAL		**488,8**	618,3
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	**3**	**11,8**	0,0
LIABILITIES, TOTAL		**1 176,1**	1 149,7
EQUITY AND LIABILITIES, TOTAL		**1 936,5**	2 044,6

Consolidated cashflow statement

EUR mill.	Note	1/1–12/31/2014	1/1–12/31/2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		**-99,8**	48,4
Adjustments for:			
Depreciation, amortisation and impairment losses		**71,0**	74,4
Gains (-) and losses (+) of disposals of fixed assets and other non-current assets		**4,8**	0,6
Interest and other financial expenses		**22,7**	32,1
Interest income		**-1,3**	-4,5
Income taxes		**-3,8**	-21,6
Other adjustments		**30,8**	0,5
Working capital changes:			
Increase (-) /decrease (+) in inventories		**13,7**	6,8
Increase (-) / decrease (+) in trade and other current receivables		**42,5**	0,5
Increase (+) / decrease (-) in current liabilities		**-19,7**	-4,8
Interest expenses paid		**-20,9**	-26,4
Interest received from operating activities		**0,2**	4,3
Other financing items from operating activities		**-1,6**	-1,8
Income taxes paid from operating activities		**-9,0**	17,0
Net cash from operating activities		**29,6**	125,4
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of tangible and intagible assets		**-55,1**	-61,1
Proceeds from sale of investments		**0,0**	0,0
Dividends received from investing activities		**0,1**	0,2
Net cash used in investing activities		**-55,0**	-60,9
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue		**0,0**	0,0
Proceeds from current liabilities		**207,4**	324,0
Repayment of current liabilities		**-332,9**	-316,2
Proceeds from non-current liabilities		**478,2**	86,4
Repayment of non-current liabilities		**-298,9**	-114,9
Payment of finance lease liabilities		**-0,5**	-4,7
Dividends paid		**-28,8**	-43,1
Net cash used in financing activities		**24,5**	-68,5
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**-0,9**	-4,0
Cash and cash equivalents at the beginning of the period		**33,9**	36,1
Cheque account with overdraft facility		**-6,1**	-3,9
Cash and cash equivalents at the beginning of the period		**27,8**	32,2
Net increase/decrease in cash and cash equivalents		**-0,9**	-4,0
Effects of exchange rate fluctuations on cash held		**-1,7**	-0,4
Cash and cash equivalents at the end of the period		**29,3**	33,9
Cheque account with overdraft facility		**-4,1**	-6,1
Cash and cash equivalents at the end of the period	18	**25,3**	27,8

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 1/1/2013	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	894,8

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 1/1/2014	144,1	186,1	-0,5	250,5	43,9	4,1	266,8	894,9	0,0	894,9
Dividend distribution 1							-28,8	-28,8		-28,8
Options exercised 1							0,2	0,2		0,2
Share premium 1				0,0				0,0		0,0
Other changes 1							0,0	0,0		0,0
Comprehensive income for the period										
Profit for the period							-99,8	-99,8		-99,8
Remeasurement gains/losses on defined benefit pension liability 3							0,0	0,0		0,0
Exchange differences on translating foreign operations 2						-10,1		-10,1		-10,1
Cash flow hedges 2			4,0					4,0		4,0
Total comprehensive income for the period*			4,0			-10,1	-99,8	-105,9		-105,9
SHAREHOLDERS' EQUITY 12/31/2014	144,1	186,1	3,4	250,4	43,9	-5,9	138,3	760,4	0,0	760,4

* Adjusted with deferred tax
1) Note 19
2) Notes 10,19
3) Note 25

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 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 2014. 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 2014, the Group has applied the following new and revised standards and interpretations:

IFRS 10 Consolidated Financial Statements and amendments made to the standard, which applies to financial periods beginning on or after 1 January 2014. In accordance with existing principles, the standard establishes control as the crucial factor when determining whether an entity should be presented in the consolidated financial statements. The standard also provides additional guidance on the definition of control when it is difficult to assess. The revised standard has no effects on the consolidated financial statements.

IFRS 11 Joint arrangements and amendments made to the standard, which applies to financial periods beginning on or after 1 January 2014. The standard refers to the accounting treatment of joint arrangements and places emphasis 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 proportionate consolidation method is no longer permitted. The Stockmann Group has joint operations and a share of their assets, liabilities, income, expenses and items of other comprehensive income is consolidated. The revised standard has no significant effects on the consolidated financial statements.

IFRS 12 Disclosure of Interests in Other Entities and amendments made to the standard, which applies to financial periods beginning on or after 1 January 2014. The standard brings together all the requirements regarding disclosure that concern various interests in other entities, including associates, joint arrangements, structured units and other off-balance-sheet entries. The new standard has expanded the information to be disclosed by the Group on its interests in other entities.

IAS 27 Separate Financial Statements and amendments made to the standard, which applies to 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 effect on the consolidated financial statements.

IAS 28 Investments in Associates and Joint Ventures, which applies to 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 has no effect on the consolidated financial statements.

Amendments to IAS 32 Financial Instruments: Presentation, which applies to financial periods beginning on or after 1 January 2014. The amendments clarify the requirements regarding regulation of disclosure of the net amounts of financial assets and liabilities in the balance sheet and provide further instructions for application on the same subject. The amendments have no effect on the consolidated financial statements.

Amendments to IAS 36 Impairment of Assets, which applies to financial periods beginning on or after 1 January 2014. The purpose of the amendments is to clarify the scope of application of disclosure requirements regarding the measurement of the recoverable amount of assets that are restricted to impaired assets, if the sum in question is based on fair value less costs of disposal. The revised standard has no effect on the consolidated financial statements.

Amendments to IAS 39 Financial Instruments: Recognition and Measurement, which applies to financial periods beginning on or after 1 January 2014. An exception has been added to the standard, in which hedge accounting is not considered to discontinue 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 have no effect on the consolidated financial statements.

IFRIC 21 Levies, which applies to financial periods beginning on or after 1 January 2014 The interpretation clarifies the accounting treatment of levies. The debt arising from a levy must be recognized 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 other standards. The interpretation has no significant impact 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, valuation of inventories, deferred tax assets and provisions. Judgment has also been used when assets has been classified as held for sale and related assets and liabilities has been revaluated and when assets has been classified as joint operations. 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.

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 arrangements in which Stockmann and another party, on the basis of an agreement or the Articles of Association, have rights to the assets and obligations for the liabilities of the joint arrangement are dealt with as joint operations. The shares in real estate companies that fulfil the criteria of being a joint operation in the Group company have been dealt with as joint operations in the consolidated financial statements. The consolidated financial statements include Stockmann's share of the joint operations' income, expenses and items of other comprehensive income, and assets and liabilities, from the date when joint control was obtained up to the date when it ends. The Stockmann Group does not have any joint ventures or 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.

On 1 January 2015, the Group introduced a new structure, according to which operations will be divided into three reportable segments: Stockmann Retail, Real Estate and Fashion Chains. The Stockmann Retail segment will focus on developing the Stockmann department stores and the stockmann.com online store. The target of the Real Estate segment is to enhance the use of space in the properties owned by the Group. The Fashion Chains segment contains the Lindex and Seppälä fashion chains, which engage in 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 group companies 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. 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 arrangement 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 cooperation is recognized as revenue. An amount corresponding to the fair value of unused bonus points accumulated by customers is recognized, with a deduction from sales, as short-term interest-free debt for customers. The debt is recognized in the same financial period as the related sale. When a customer uses accumulated points as a payment at a store, the fair value of the points used is recognized as a sale and a reduction of a short-term debt. If bonus points are not used by their expiry date, the fair value of the unused points is recognized as a sale and a reduction of a short-term debt. Lease income of lease agreements classified as operating leases are recognized in the income statement as revenue in even instalments over the lease term.

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.

As of 1 January 2015, land areas and buildings have been carried on the balance sheet at the revalued amount in accordance with standard IAS 16 paragraph 31. Land areas and buildings are carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The depreciation charge from revalued amount of buildings for each period is recognized in profit or loss. Revaluation is carried out regularly so that the carrying amount of land areas and buildings does not deviate substantially from the fair value at the close of the reporting period. If the carrying amount of land areas and buildings increases as a result of revaluation, the increase is disclosed in items of other comprehensive income and the accumulated increase is disclosed in the revaluation surplus in equity. However, if the increase cancels out the reduction resulting from the revaluation, which has earlier been entered in the income statement, the increase is also entered in the income statement. If the carrying amount of the asset decreases as a consequence of revaluation, the decrease is entered in the income statement. However, the decrease is presented in items of other comprehensive income up to the revaluation surplus amount. The difference between depreciation based on the revalued carrying amount of buildings and depreciation based on the buildings' original cost is transferred yearly from the revaluation surplus to retained earnings.

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, and it includes all the direct costs of the purchase.

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.

In the financial statements for 2014, Hobby Hall's distance retailing business is classified as non-current assets held for sale according to IFRS 5 as a new owner is being sought for Hobby Hall's operations.

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.

The annual improvements to IFRSs 2010–2012 and 2011–2013, most of which shall be applied in financial periods beginning on or after 1 July 2014, and 2012–2014, which applies to financial periods beginning on or after 1 January 2016. In the Annual Improvements process, minor and non-urgent amendments to standards are compiled into a single package and applied once a year. The 2012–2014 amendments have not yet been approved for application in the EU. The impacts of the amendments vary by standard, but they are not significant.

Amendment to IAS 1 Presentation of Financial Statements – Disclosure Initiative, which applies to financial periods beginning on or after 1 January 2016. The amendment is intended to encourage companies to exercise their judgement when presenting their financial statements. The amendment will clarify, for example, the application of materiality and the use of judgement when deciding on the sequence and placement of the disclosures. The amendment has not yet been approved for application in the EU. The amendment is not expected to have a significant effect on the consolidated financial statements.

Amendment to IAS 19 Employee Benefits – Defined Benefit Plans – Employee Contribution, which applies to financial periods beginning on or after 1 July 2014. The amendments clarify the accounting procedure when employees or third parties are required to make contributions to defined benefit plans. The amendments to the standard have no effect on the consolidated financial statements.

Amendment to IAS 27 Consolidated Financial Statements and Separate Financial Statements – Equity Method in Separate Financial Statements, which applies to financial periods beginning on or after 1 January 2016. The amendment to the standard allows investments in subsidiaries, joint ventures and associates to be measured in an entity's separate financial statements using the equity method of accounting. The amendment has not yet been approved for application in the EU. The amendment to the standard has no effect on the consolidated financial statements.

Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets, which applies to financial periods beginning on or after 1 January 2016. After the amendment to the standard, it will not be possible to apply revenue-based depreciation to property plant and equipment and it will only be possible to apply it on rare occasions to intangible assets. The amendment has not yet been approved for application in the EU. The amendments to the standard have no effect on the consolidated financial statements.

Amendment to IFRS 11 Consolidated Financial Statements, which applies to financial periods beginning on or after 1 January 2016. The amendment will provide new guidance on accounting for the acquisition of an interest in a joint operation in circumstances in which the activity of the joint operation constitutes a business. In such cases, the accounting principles for business combinations must be applied. The amendment has not yet been approved for application in the EU. The amendment to the standard has no effect on the consolidated financial statements.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, which apply to financial periods beginning on or after 1 January 2016. The amendments concern the conflict between the requirements of IFRS 10 and IAS 28, which relates to the sale or contribution of assets between an investor and its associate or joint venture. The gain or loss is recognized in full when the transaction includes a business acquisition, irrespective of whether the business is housed in a subsidiary or not. The gain or loss is recognized partially when the transaction includes assets that do not constitute a business, even if the assets are in the subsidiary. The amendments have not yet been approved for application in the EU. The amendments have no effect on the consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers, which applies to financial periods beginning on or after 1 January 2017. The new standard provides a comprehensive framework for recognizing revenue and the amount and timing of the revenue. IFRS 15 replaces the effective guidelines for recognition, such as IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. According to IFRS 15, the entity shall recognize the revenue as an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services sold. The standard has not yet been approved for application in the EU. The Group is assessing effect of the standard on the consolidated financial statements.

IFRS 9 Financial Instruments and amendments made to the standard, which applies to financial periods beginning on or after 1 January 2018. The new standard replaces the current IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 amends the guidelines on the recognition and measurement of financial instruments. The standard also contains a new accounting model for expected credit losses that is applied in determining the impairment recognized for financial assets. The standard's requirements related to general hedge accounting have also been revised. IAS 39's requirements for recognition and derecognition of financial instruments have been retained. The standard has not yet been approved for application in the EU. The Group is assessing effect 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 666 stores in 18 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.

Information concerning geographical regions

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

Business risks in Russia are greater than in the Nordic countries or the Baltic countries. The operating environment is unstable and the crisis in Ukraine has considerably increased geopolitical tensions. Trade sanctions against Russia by the EU and the USA and counter-measures by Russia may further affect Stockmann's operations. A significant share of the products, that Stockmann sells in Russia, are imported, so trade sanctions would weaken Stockmann's business in the country. The weakening Russian rouble will continue to have a negative impact on consumers' purchasing power.

Segment information, Group

Operating segments, EUR mill.

Revenue	1.1.–31.12.2014	1.1.–31.12.2013
Department Store Division	**1 101,2**	1 232,6
Fashion Chain Division	**743,2**	805,2
Segments, total	**1 844,4**	2 037,8
Unallocated	**0,1**	-0,8
Group, total	**1 844,5**	2 037,1

Operating profit	1.1.–31.12.2014	1.1.–31.12.2013
Department Store Division	**-40,9**	26,0
Fashion Chain Division	**0,0**	38,6
Segments, total	**-40,9**	64,6
Unallocated	**-41,3**	-10,2
Eliminations		
Operating profit, Group, total	**-82,2**	54,4
Financial income	**1,3**	4,5
Financial expenses	**-22,7**	-32,1
Profit before taxes, Group total	**-103,6**	26,8

Depreciation and amortisation	1.1.–31.12.2014	1.1.–31.12.2013
Department Store Division	**41,5**	42,2
Fashion Chain Division	**26,7**	29,7
Segments, total	**68,2**	71,8
Unallocated	**2,8**	2,6
Eliminations		
Group, total	**71,0**	74,4

Investments, gross	1.1.–31.12.2014	1.1.–31.12.2013
Department Store Division	**28,9**	26,9
Fashion Chain Division	**21,4**	24,7
Segments, total	**50,3**	51,5
Unallocated	**3,5**	5,2
Group, total	**53,8**	56,8

Assets	1.1.–31.12.2014	1.1.–31.12.2013
Department Store Division	**786,6**	868,0
Fashion Chain Division	**1 050,2**	1 124,2
Segments, total	**1 836,8**	1 992,2
Unallocated	**51,7**	52,1
Non-current assets classified as held for sale	**48,0**	
Group, total	**1 936,5**	2 044,3

Information on market areas, EUR mill.

Revenue	1.1.–31.12.2014	1.1.–31.12.2013
Finland 1)	**882,8**	983,2
Sweden and Norway 2)	**513,7**	548,2
Baltic countries and Central Europe 1) *	**161,0**	159,9
Russia 1)	**286,9**	345,7
Group, total	**1 844,5**	2 037,1
Finland, %	**47,86**	48,27
International operations, %	**52,14**	51,73

Operating profit	1.1.–31.12.2014	1.1.–31.12.2013
Finland 1)	**-91,2**	-0,9
Sweden and Norway 2)	**38,6**	59,0
Baltic countries and Central Europe 1) *	**-0,9**	2,7
Russia 1)	**-28,7**	-6,4
Group, total	**-82,2**	54,4
Finland, %		1,66
International operations, %		101,66

Non-current assets	1.1.–31.12.2014	1.1.–31.12.2013
Finland 1)	**485,1**	480,2
Sweden and Norway 2)	**796,5**	850,4
Baltic countries and Central Europe 1) *	**37,0**	40,7
Russia 1)	**195,2**	215,1
Group, total	**1 513,9**	1 586,4
Finland, %	**32,04**	30,27
International operations, %	**67,96**	69,73

1) Department Store Division, Fashion Chain Division
2) Fashion Chain Division
*) Estonia, Latvia, Lithuania, Czech Republic, Slovakia, Poland, Croatia

3. Non-current assets classified as held for sale and disposal groups

The assets and liabilities related to the Hobby Hall distance retailing operations are classified as assets held for sale on the balance sheet dated 31.12.2014, because on its announcement dated October 2nd 2014, Stockmann told that a new owner is being sought for the Hobby Hall distance retail business. Hobby Hall is included to Department Store Division segment.

Non-current assets which are classified as asset items held for sale, are measured at their carrying amount or at the lower of their carrying amount and fair value less costs to sell if the amount corresponding to the carrying amount arises principally from sale rather than continuing use of the asset items. Any impairment loss has not been recorded for the non-current assets held for sale or disposal groups. These assets are not depreciated. The attributable interest and other expenses are recognised in the same way as they were before being classified as held for sale.

Assets per asset group classified as held for sale and liabilities related to the assets classified as held for sale:

EUR mill.	2014	2013
Intangible assets	**0,5**	
Property, plant and equipment	**0,1**	
Other tangible assets	**0,2**	
Inventory	**13,3**	
Receivables	**1,0**	
Interest-bearing receivables	**32,8**	
Cash and cash equivalents	**0,0**	
Total assets	**48,0**	
Loans		
Account payables and other liabilities	**-11,8**	
Total liabilities	**-11,8**	
Net balance value	**36,2**	

The 2014 balance sheet dated 31.12.2013 did not have any assets held for sale.

4. Other operating income

EUR mill.	2014	2013
Gain on sale of property, plant and equipment	**0,0**	0,0
Total	**0,0**	0,0

5. Gross margin

EUR mill.	2014	2013
Revenue	**1 844,5**	2 037,1
Raw material and consumables used	**977,9**	1 052,9
Change in inventories	**6,6**	-6,0
Gross margin	**859,9**	990,1
Gross margin, % of revenue	**46.6%**	48.6%

6. Wages, salaries and other employee benefits expenses

EUR mill.	2014	2013
Wages and salaries	**303,2**	313,1
Pension expenses, defined contribution plans	**37,8**	40,4
Pension expenses, defined benefit plans	**0,0**	
Other employee benefits expenses	**42,1**	43,6
Expenses for share option benefits	**0,2**	0,7
Total	**383,3**	397,8

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 30. Related party transactions.

7. Depreciation, amortization and impairment losses

EUR mill.	2014	2013
Goodwill		
Trademark		
Intangible assets	11,2	9,1
Buildings and constructions	14,7	14,9
Machinery and equipment	35,9	38,6
Machinery and equipment, finance lease	1,9	3,8
Modification and renovation costs for leased premises	7,4	8,1
Depreciation and amortization, total	**71,0**	74,4

8. Other operating expenses

EUR mill.	2014	2013
Site expenses	271,0	270,0
Marketing expenses	72,1	69,6
Goods handling expenses	25,5	28,1
Credit losses	-1,2	1,1
Voluntary social security	7,3	7,8
Interest income from trade receivables	-0,4	-0,4
Other costs	113,4	87,4
Total	**487,8**	463,6

Fees to the auditors

EUR mill.	2014	2013
Auditing	0,6	0,7
Certificates and statements	0,0	
Tax advisory	0,2	0,2
Other services	0,1	0,0
Total	**0,9**	1,0

9. Finance income and expenses

Finance income

EUR mill.	2014	2013
Dividend income on available-for-sale investments	0,1	0,2
Interest income on bank deposits and other investments	0,2	4,3
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	0,1	0,0
Foreign exchange differences	0,8	0,0
Total	**1,3**	4,5

*) EUR 3.5 million of interest income refers to Lindex tax refund in 2013.

Finance expenses

EUR mill.	2014	2013
Interest expenses on financial liabilities measured at amortized cost	-22,7	-30,6
Loss on disposals of assets available for sale	0,0	-0,1
Change in fair value of financial assets at fair value through profit or loss		
Foreign exchange differences	0,0	-1,5
Total	**-22,7**	-32,1

Finance income and expenses, total

EUR mill.	2014	2013
Finance income and expenses, total	**-21,4**	-27,6

10. Income taxes

EUR mill.	2014	2013
Income taxes for the financial period	**-4,5**	-7,3
Income taxes from previous financial periods	**-0,1**	22,7
Change in deferred tax liability/assets	**8,4**	6,2
Total	**3,8**	21,6

Reconciliation between the income tax expense in the income statement and the Group's tax expense at the Finnish tax rate of 20 %.

EUR mill.	2014	2013
Profit before taxes	**-103,6**	26,8
Income taxes at current tax rate	**20,7**	-6,6
Income taxes from previous financial periods	**-0,1**	22,7
Tax-exempt income	**9,5**	6,2
Differing tax rates of foreign subsidiaries	**0,0**	2,9
Non-deductible expenses	**-13,6**	-4,7
Unrecognised deferred tax assets from losses in taxation	**-9,1**	-3,8
Affect of change in the tax base to deferred taxes		5,0
Reverse of deferred tax relating to previous financial periods	**-3,6**	
Income taxes in the income statement	**3,8**	21,6

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 the financial year 2013.

Lindex received in the financial year 2013 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.	2014			2013		
	Before-tax	**Tax (expense) benefit**	**Net-of-tax**	Before-tax	Tax (expense) benefit	Net-of-tax
Exchange differences on translating foreign operations	**-9,3**	**-0,8**	**-10,1**	-5,2	-0,6	-5,8
Remeasurement gains/losses on defined benefit pension liability	**0,0**		**0,0**	0,2	-0,1	0,1
Cash flow hedges	**5,1**	**-1,1**	**4,0**	0,6	-0,1	0,5
Total	**-4,2**	**-1,8**	**-6,1**	-4,4	-0,8	-5,3

11. 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	2014	2013
Profit for the period, EUR	**-99 816 635,07**	48 405 546,22
Share issue-adjusted number of outstanding shares, weighted average, thousands	**72 048 683**	72 048 683
Earnings per share, EUR	**-1,39**	0,67
Profit for the period, EUR	**-99 816 635,07**	48 405 546,22
Share issue-adjusted number of outstanding shares, weighted average, thousands	**72 048 683**	72 048 683
Effect of share options		
Share issue-adjusted number of shares, diluted weighted average, thousands	**72 048 683**	72 048 683
Earnings per share adjusted for effect of dilution	**-1,39**	0,67

12. Intangible assets

Goodwill

EUR mill.	2014	2013
Acquisition cost Jan. 1	**793,2**	818,8
Translation difference +/-	**-45,1**	-25,6
Increases Jan. 1–Dec. 31		
Decreases Jan. 1–Dec. 31		
Transfers between items Jan. 1–Dec. 31		
Acquisition cost Dec. 31	**748,1**	793,2
Accumulated amortization and impairment losses Jan. 1		
Amortization and impairment losses for the financial period		
Accumulated amortization and impairment losses Dec. 31		
Carrying amount Jan. 1	**793,2**	818,8
Carrying amount Dec. 31	**748,1**	793,2

Trademark

EUR mill.	2014	2013
Acquisition cost Jan. 1	**103,0**	106,5
Translation difference +/-	**-5,9**	-3,6
Increases Jan. 1–Dec. 31		
Decreases Jan. 1–Dec. 31		
Transfers between items Jan. 1–Dec. 31		
Transfers to non-current assets classified as held for sale		
Acquisition cost Dec. 31	**97,1**	103,0
Accumulated amortization Jan. 1	**-0,3**	-0,3
Translation difference +/-	**0,0**	0,0
Amortization on disposals		
Accumulated depreciation on transfers to non-current assets classified as held for sale		
Amortization for the financial period		
Accumulated amortization Dec. 31	**-0,3**	-0,3
Carrying amount Jan. 1	**102,6**	106,2
Carrying amount Dec. 31	**96,8**	102,6

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. For the purposes of impairment testing, EUR 723.1 million of goodwill was allocated to the Fashion Chain Division and EUR 25 million of goodwill to the Department Store Division.

The EUR 96.8 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 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 an 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, based on the optimal finance structure or the average finance structure of industry peers (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 (6.3% in 2013) 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 7.0 per cent (6.6% in 2013).

In estimating the recoverable amounts of the Fashion Chain Division segment, it is the 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 segment's carrying amount. The value-in use of the Department Store Division decreased in 2014 due to the lower sales expectations caused by the weakened market situation. In estimating the recoverable amounts of the Department Store Division segment any changes in the variables used can lead to a situation in which the recoverable amounts would be less than the segment's carrying amount which leads to need for impairment.

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 60 per cent less than forecasted during the forecasting period also reflecting to the value of the terminal period, or if the discount rate were increased by 1.5 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 20 per cent less than forecasted during the forecasting period also reflecting to the value of the terminal period, or if the discount rate were increased by 0.4 percentage point, 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 carried out, there is no need for impairment entries.

Intangible rights

EUR mill.	**2014**	2013
Acquisition cost Jan. 1	**84,6**	62,8
Translation difference +/-	**-1,5**	-0,7
Increases Jan. 1–Dec. 31	**5,1**	13,0
Decreases Jan. 1–Dec. 31	**-19,3**	-0,1
Transfers between items Jan. 1–Dec. 31	**27,9**	9,6
Transfers to non-current assets classified as held for sale	**-1,1**	
Acquisition cost Dec. 31	**95,7**	84,6
Accumulated amortization Jan. 1	**-45,7**	-37,5
Translation difference +/-	**1,0**	0,6
Amortization on disposals	**19,2**	0,1
Accumulated depreciation on transfers to non-current assets classified as held for sale	**0,6**	
Amortization for the financial period	**-10,8**	-8,9
Accumulated amortization Dec. 31	**-35,6**	-45,7
Carrying amount Jan. 1	**38,8**	25,3
Carrying amount Dec. 31	**60,0**	38,8

Other intangible assets

EUR mill.	**2014**	2013
Acquisition cost Jan. 1	**8,8**	7,7
Translation difference +/-	**-0,5**	0,0
Increases Jan. 1–Dec. 31		1,1
Decreases Jan. 1–Dec. 31		
Transfers between items Jan. 1–Dec. 31		
Transfers to non-current assets classified as held for sale		
Acquisition cost Dec. 31	**8,3**	8,8
Accumulated amortization Jan. 1	**-7,5**	-7,7
Translation difference +/-	**0,7**	0,4
Amortization on disposals	**0,0**	
Accumulated depreciation on transfers to non-current assets classified as held for sale		
Amortization for the financial period	**-0,4**	-0,2
Accumulated amortization Dec. 31	**-7,2**	-7,5
Carrying amount Jan. 1	**1,3**	0,0
Carrying amount Dec. 31	**1,1**	1,3

Other intangible assets, finance lease

EUR mill.	**2014**	2013
Acquisition cost Jan. 1	**2,0**	0,4
Translation difference +/-		
Increases Jan. 1–Dec. 31		
Decreases Jan. 1–Dec. 31		
Transfers between items Jan. 1–Dec. 31	**1,3**	1,6
Transfers to non-current assets classified as held for sale		
Acquisition cost Dec. 31	**3,2**	2,0
Accumulated depreciation Jan. 1	**-0,1**	0,0
Translation difference +/-		
Depreciation on disposals		
Accumulated depreciation on transfers to non-current assets classified as held for sale		
Depreciation for the financial period	**-0,3**	-0,1
Accumulated depreciation Dec. 31	**-0,4**	-0,1
Carrying amount Jan. 1	**1,8**	0,4
Carrying amount Dec. 31	**2,8**	1,8

Advance payments and construction in progress

EUR mill.	**2014**	2013
Acquisition cost Jan. 1	**24,0**	25,4
Translation difference +/-		
Increases Jan. 1–Dec. 31	**11,0**	9,5
Decreases Jan. 1–Dec. 31		
Transfers between items Jan. 1–Dec. 31	**-31,7**	-11,0
Acquisition cost Dec. 31	**3,3**	24,0
Carrying amount Jan. 1	**24,0**	25,4
Carrying amount Dec. 31	**3,3**	24,0

EUR mill.	**2014**	2013
Intangible assets, total	**912,2**	961,8

In 2014, 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 development of data communication and IT systems.

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.

13. Plant, property and equipment

Land and water

EUR mill.	**2014**	2013
Acquisition cost Jan. 1	**42,1**	42,2
Translation difference +/-	**0,0**	0,0
Increases Jan. 1–Dec. 31		0,0
Decreases Jan. 1–Dec. 31	**-0,1**	0,0
Transfers between items Jan. 1–Dec. 31	**1,1**	
Transfers to non-current assets classified as held for sale		
Acquisition cost Dec. 31	**43,1**	42,1
Carrying amount Jan. 1	**42,1**	42,2
Carrying amount Dec. 31	**43,1**	42,1

Buildings and constructions

EUR mill.	**2014**	2013
Acquisition cost Jan. 1	**560,2**	561,8
Translation difference +/-	**-0,4**	-0,1
Increases Jan. 1–Dec. 31	**0,0**	1,3
Decreases Jan. 1–Dec. 31	**-6,8**	0,0
Transfers to non-current assets classified as held for sale		
Transfers between items Jan. 1–Dec. 31	**1,1**	-2,8
Acquisition cost Dec. 31	**554,2**	560,2
Accumulated depreciation Jan. 1	**-119,8**	-104,9
Translation difference +/-	**0,4**	0,0
Depreciation on disposals	**6,8**	
Accumulated depreciation on transfers to non-current assets classified as held for sale		
Depreciation for the financial period	**-14,7**	-14,9
Accumulated depreciation Dec. 31	**-127,3**	-119,8
Carrying amount Jan. 1	**440,4**	456,9
Carrying amount Dec. 31	**426,9**	440,4

Machinery and equipment

EUR mill.	**2014**	2013
Acquisition cost Jan. 1	**299,2**	284,0
Translation difference +/-	**-6,6**	-8,6
Increases Jan. 1–Dec. 31	**19,2**	21,4
Decreases Jan. 1–Dec. 31	**-33,8**	-5,0
Transfers between items Jan. 1–Dec. 31	**6,3**	7,3
Transfers to non-current assets classified as held for sale	**-0,2**	
Acquisition cost Dec. 31	**284,2**	299,2
Accumulated depreciation Jan. 1	**-205,3**	-177,6
Translation difference +/-	**5,1**	6,5
Depreciation on disposals	**32,7**	4,4
Accumulated depreciation on transfers to non-current assets classified as held for sale	**0,1**	
Depreciation for the financial period	**-35,9**	-38,6
Accumulated depreciation Dec. 31	**-203,4**	-205,3
Carrying amount Jan. 1	**93,9**	106,4
Carrying amount Dec. 31	**80,9**	93,9

Machinery and equipment, finance lease

EUR mill.	**2014**	2013
Acquisition cost Jan. 1	**11,3**	11,3
Translation difference +/-		0,0
Increases Jan. 1–Dec. 31		
Decreases Jan. 1–Dec. 31	**-11,3**	
Transfers between items Jan. 1–Dec. 31		
Transfers to non-current assets classified as held for sale		
Acquisition cost Dec. 31		11,3
Accumulated depreciation Jan. 1	**-9,4**	-5,6
Translation difference +/-		
Depreciation on disposals	**11,3**	
Accumulated depreciation on transfers to non-current assets classified as held for sale		
Depreciation for the financial period	**-1,9**	-3,8
Accumulated depreciation Dec. 31	**0,0**	-9,4
Carrying amount Jan. 1	**1,9**	5,6
Carrying amount Dec. 31	**0,0**	1,9

EUR mill.	**2014**	2013
Machinery and equipment, total	**80,9**	95,8

Modification and renovation costs of leased premises

EUR mill.	**2014**	2013
Acquisition cost Jan. 1	**126,6**	127,6
Translation difference +/-	**0,0**	0,0
Increases Jan. 1–Dec. 31	**0,8**	2,1
Decreases Jan. 1–Dec. 31	**-18,7**	-3,9
Transfers between items Jan. 1–Dec. 31	**1,7**	0,8
Transfers to non-current assets classified as held for sale	**-0,2**	
Acquisition cost Dec. 31	**110,2**	126,6
Accumulated depreciation Jan. 1	**-94,1**	-89,8
Translation difference +/-	**0,0**	0,0
Depreciation on disposals	**17,8**	3,7
Accumulated depreciation on transfers to non-current assets classified as held for sale	**0,0**	
Depreciation for the financial period	**-7,4**	-8,1
Accumulated depreciation Dec. 31	**-83,7**	-94,1
Carrying amount Jan. 1	**32,4**	37,8
Carrying amount Dec. 31	**26,5**	32,4

Advance payments and construction in progress

EUR mill.	2014	2013
Acquisition cost Jan. 1	**5,8**	6,2
Translation difference +/-	**0,1**	0,0
Increases Jan. 1–Dec. 31	**17,6**	8,3
Decreases Jan. 1–Dec. 31	**-2,7**	-0,3
Transfers between items Jan. 1–Dec. 31	**-7,7**	-8,4
Transfers to non-current assets classified as held for sale		
Acquisition cost Dec. 31	**13,2**	5,8
Carrying amount Jan. 1	**5,8**	6,2
Carrying amount Dec. 31	**13,2**	5,8

EUR mill.	2014	2013
Property, plant and equipment, total	**590,5**	616,5

In 2014, 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, in Russia and in Baltics
- building costs of the distribution center for Finland.

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.

14. Joint arrangements

Joint operations

The Group has a 37.8% shareholding in Kiinteistö Oy Tapiolan Säästötammi Fastighets Ab. The real estate company is based in Espoo. The joint venture is not essential for Stockmann.

The Group has a 67% shareholding in real estate company SIA Stockmann Centrs, which entitles the company to 63% control of the real estate company's premises, so the Group has a 63% involvement in the joint operation. SIA Stockmann Centrs owns a shopping centre property in Latvia. Stockmann's share of the joint operation covers the commercial premises of Stockmann's department store in Latvia. The joint operation is essential for Stockmann.

The share corresponding to the Group's ownership of the assets and liabilities and income and expenses of the joint operation is included in the Group's consolidated financial statements.

Assets and liabilities of joint operations

EUR mill.	2014	2013
Non-current assets	**17,2**	20,6
Current assets	**0,6**	0,6
Non-current liabilities	**8,9**	0,9
Current liabilities	**0,4**	10,3

Income and expenses of joint operations

EUR mill.	2014	2013
Income	**3,5**	3,6
Expenses	**2,3**	2,4

15. Available-for-sale investments

EUR mill.	2014	2013
Acquisition cost Jan. 1	**7,9**	5,0
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		2,8
Carrying amount Dec. 31	**7,8**	7,9

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.

16. Inventories

EUR mill.	2014	2013
Raw material and consumables *	**239,3**	283,3
Advance payments for inventories		2,5
Total	**239,3**	285,8

The value of inventories has been written off by EUR 22.4 million for unsalable assets (2013: EUR 10.3 million).

*) The assets and liabilities related to the Hobby Hall distance retailing operations are classified as assets held for sale on the balance sheet dated 31.12.2014. More information in note 3.

17. Current receivables

EUR mill.	Carrying amount 2014	Fair value 2014	Carrying amount 2013	Fair value 2013
Interest-bearing trade receivables *	**2,4**	**2,4**	39,7	39,7
Non-interest-bearing trade receivables *	**17,1**	**17,1**	22,4	22,4
Loan receivables, interest-bearing			3,4	3,4
Receivables based on derivative contracts	**11,0**	**11,0**	7,1	7,1
Other receivables *	**8,9**	**8,9**	2,7	2,7
Prepayments and accrued income	**38,8**	**38,8**	44,7	44,7
Income tax receivables	**2,0**	**2,0**	0,8	0,8
Available-for-sale investments				
Current receivables, total	**80,1**	**80,1**	120,9	120,9

*) The assets and liabilities related to the Hobby Hall distance retailing operations are classified as assets held for sale on the balance sheet dated 31.12.2014. More information in note 3.

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 2.3 million in one-time credits on mail-order sales in 2014 (EUR 39.7 million in 2013). Interest income on these receivables are included in the selling price and recognized in revenue instead of interest income

Material item in "Prepayments and accrued income"-item income is prepaid rents.

18. Cash and cash equivalents

EUR mill.	2014	2013
Cash on hand and at banks *	**28,6**	31,4
Short term deposits	**0,7**	2,5
Fund		
Total	**29,3**	33,9

*) The assets and liabilities related to the Hobby Hall distance retailing operations are classified as assets held for sale on the balance sheet dated 31.12.2014. More information in note 3.

Cash and cash equivalents in the Statement of Cash Flows

EUR mill.	2014	2013
Cash and cash equivalents	**29,3**	33,9
Overdraft facilities	**-4,1**	-6,1
Total	**25,3**	27,8

19. Equity

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

EUR mill.	Number of shares	Share capital	Share premium fund	Invested unrestricted equity fund	Total
Dec. 31, 2012	72 048 683	144,1	186,1	250,5	580,6
-					
Dec. 31, 2013	72 048 683	144,1	186,1	250,5	580,6
-				0,0	0,0
Dec. 31, 2014	72 048 683	144,1	186,1	250,4	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 2014

pcs	2014	2013
Series A shares	**30 595 765**	30 595 765
Series B shares	**41 452 918**	41 452 918
Total	**72 048 683**	72 048 683

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.	2014	2013
Reserve fund	**0,2**	0,2
Hedging reserve	**3,4**	-0,5
Other funds	**43,7**	43,7
Total	**47,4**	43,4

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, 2015 not to pay out a dividend for year 2014

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 Loyal Customer purchases entitled to subscribe for a total of 2 326 397 share options. A total of 1 166 134 options were subscribed.

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.

During the share subscription period in 2014 no shares were subscribed with the Loyal Customer share options. The last subscription period for share options will be 2 - 31 May 2015. The Board of Directors proposes not to pay a dividend for year 2014 which means that the subscription price 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 Board of Directors proposes not to pay a dividend for year 2014, which means that the subscription price 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	**2014 Number of Options**	**Subscription price as weighted average EUR/share**	**Turnover weighted share price during subscirption period EUR/share**	2013 Number of Options	Subscription price as weighted average EUR/share	Turnover weighted share price during subscirption period EUR/share
Key employee share options 2010 Series A						
Outstanding at the beginning of the period	**418 000**			466 000		
Forfeited during the period				48 000		
Outstanding at the end of the period	**418 000**			418 000		
Key employee share options 2010 Series B						
Outstanding at the beginning of the period	**315 400**			330 000		
Forfeited during the period	**42 400**			14 600		
Outstanding at the end of the period	**273 000**			315 400		
Key employee share options 2010 Series C						
Outstanding at the beginning of the period	**330 000**			348 600		
Forfeited during the period	**50 600**			18 600		
Outstanding at the end of the period	**279 400**			330 000		
Loyal customer options 2012						
Outstanding at the beginning of the period						
Granted during the period	**1 166 134**					
Outstanding at the end of the period	**1 166 134**					
Options, total						
Outstanding at the beginning of the period	**1 063 400**			1 144 600		
Exercised during the period						
Granted during the period	**1 166 134**					
Forfeited during the period	**93 000**			81 200		
Expired during the period						
Outstanding at the end of the period	**2 136 534**			1 063 400		

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	2.5.15–31.5.15
Maximum number of share options	500 000	500 000	500 000	2 500 000
Number of options granted at December 31, 2013	418 000	273 000	279 400	1 166 134
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 the Board of Directors proposes not to pay a dividend for year 2014.

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, 2014, share options had an impact on the Group's profit of EUR -0.2 million. There won´t be any estimated expenses for year 2015.

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.

20. Non-current liabilities, interest-bearing

EUR mill.	**Carrying amount 2014**	**Fair value 2014**	Carrying amount 2013	Fair value 2013
Bond issues	**149,3**	**143,3**	149,1	146,2
Loans from financial institutions	**455,2**	**455,3**	319,9	319,9
Pension loans				
Finance leases	**0,1**	**0,1**	0,5	0,5
Other liabilities	**8,6**	**8,6**		
Total	**613,2**	**607,2**	469,4	466,5

The carrying amount of bond issues, loans from financial institutions and other liabilities 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 corresponds to the carrying amount.

21. Current liabilities

EUR mill.	Carrying amount 2014	Fair value 2014	Carrying amount 2013	Fair value 2013
Loans from financial institutions	**8,9**	**8,9**	8,9	8,9
Current account with overdraft facility	**4,1**	**4,1**	6,1	6,1
Pension loans				
Finance leases	**0,4**	**0,4**	2,5	2,5
Other interest-bearing liabilities	**207,4**	**207,7**	328,0	328,9
Trade payables *	**95,0**	**95,0**	109,7	109,7
Other current liabilities *	**79,6**	**79,6**	52,9	52,9
Accruals and prepaid income *	**92,8**	**92,8**	103,1	103,1
Derivative contract liabilities	**0,6**	**0,6**	3,9	3,9
Income tax liability	**0,0**	**0,0**	3,3	3,3
Total	**488,8**	**489,1**	618,3	619,2
of which interest-bearing	**220,7**	**221,0**	345,4	346,3

*) The assets and liabilities related to the Hobby Hall distance retailing operations are classified as assets held for sale on the balance sheet dated 31.12.2014. More information in note 3.

The fair value of loans from financial institutions 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.	2014	2013
The nominal value of the finance lease liabilities		
During one year	**0,4**	2,5
Over one year and at the most five years from now	**0,1**	0,5
Total	**0,5**	3,0
The net present value of the finance lease liabilities		
During one year	**0,4**	2,5
Over one year and at the most five years from now	**0,1**	0,5
Total	**0,5**	2,9
Financial expenses of the lease agreements expiring in the future	**0,0**	0,1
Financial lease liabilities total	**0,5**	3,0

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.

22. Provisions

EUR mill.	2014	2013
Non-current provisions		
Other provisions		
Carrying amount 1.1.	**0,3**	0,3
Used provisions	**-0,1**	-0,1
Carrying amount 31.12.	**0,2**	0,3
Non-current provisions, total	**0,2**	0,3

EUR mill.	2014	2013
Current provisions		
Restructuring provision		
Increase in provisions	**17,7**	
Carrying amount 31.12.	**17,7**	
Provision for unprofitable contracts		
Increase in provisions	**13,1**	
Carrying amount 31.12.	**13,1**	
Other provisions		
Carrying amount 1.1.	**0,2**	**0,4**
Used provisions	**-0,1**	**-0,2**
Carrying amount 31.12.	**0,1**	**0,2**
Current provisions total	**30,8**	**0,2**

The restructuring provision includes the estimated costs of

- Re-structuring of Group structure
- Closure expenses related to the Seppälä stores
- Closure expenses of the Stockmann Beauty chain.

Provision for unprofitable contracts includes the estimated costs of

- Closure expenses related to the Seppälä stores
- Closure expenses of the Stockmann Beauty stores.

The restructuring provision is expected to be realised during 2015. Other provisions include, for example, the estimated costs of awards of honour vacations of the employees of Stockmann Oyj Abp.

23. Deferred tax assets and deferred tax liabilities

Changes in deferred taxes during 2014:

Deferred tax assets

EUR mill.	1.1.2014	Recognized in income statement	Recognized in equity	Translation difference	31.12.2014
Confirmed losses	**12,0**	**6,7**		**0,0**	**18,7**
Measurement of derivatives and other financial instruments at fair value	**0,0**	**0,0**		**0,0**	**0,0**
Difference between carrying amounts and tax bases of property, plant and equipment	**3,8**	**0,1**		**-0,1**	**3,7**
Financial lease	**0,0**	**0,0**			
Other temporary differences	**1,4**	**2,1**	**0,0**	**-0,1**	**3,4**
Total	**17,3**	**8,8**	**0,0**	**-0,2**	**25,9**

Deferred tax liabilities

EUR mill.	1.1.2014	Recognized in income statement	Recognized in equity	Translation difference	31.12.2014
Cumulative depreciation differences	**33,1**	**1,1**		**-0,4**	**33,8**
Difference between carrying amount and tax bases of prop., plant and equip.	**8,5**	**0,1**		**-0,2**	**8,4**
Measurement at fair value of intangible and tangible assets	**18,3**			**-1,0**	**17,3**
Unrelialized exchange rate difference on the non-current foreign currency loan					
Other temporary differences	**1,6**	**-0,2**	**1,1**	**-0,1**	**2,5**
Total	**61,5**	**1,1**	**1,1**	**-1,7**	**62,0**

Confirmed losses on which deferred tax assets have not been recognized amount to EUR 132.2 million (2013 EUR 113.2 million). In accordance with IAS 12 paragraph 52 A, deferred tax liabilities have not been recorded on the profits, EUR 48.7 million (2013 EUR 47.7 million), of the Estonian subsidiary.

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
Total	16,1	1,6	0,0	-0,4	17,3

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
Unrelialized exchange rate difference on the non-current foreign currency loan					
Other temporary differences	2,4	-0,9	0,1	0,0	1,6
Total	66,4	-4,1	0,1	-1,0	61,5

24. 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 2014**	**Fair value 2014**	Carrying amount 2013	Fair value 2013
Derivative contracts, hedge accounting applied	2	**4,4**	**4,4**	0,2	0,2
Financial assets at fair value through profit or loss					
Derivative contracts, hedge accounting not applied					
Currency derivatives	2	**6,6**	**6,6**	6,9	6,9
Electricity derivatives	1				
Financial assets at amortized cost					
Non-current receivables		**3,4**	**3,4**	0,5	0,5
Current receivables, interest-bearing		**2,4**	**2,4**	43,1	43,1
Current receivables, non-interest-bearing		**64,7**	**64,7**	69,8	69,8
Cash and cash equivalents		**29,3**	**29,3**	33,9	33,9
Available-for-sale financial assets	3	**7,8**	**7,8**	7,9	7,9
Financial assets, total		**118,6**	**118,6**	162,4	162,4

Financial liabilities, EUR mill.	**Level**	**Carrying amount 2014**	**Fair value 2014**	Carrying amount 2013	Fair value 2013
Derivative contracts, hedge accounting applied	2			0,9	0,9
Financial assets at fair value through profit or loss					
Derivative contracts, hedge accounting not applied					
Currency derivatives	2	**0,4**	**0,4**	2,9	2,9
Electricity derivatives	1	**0,2**	**0,2**	0,2	0,2
Financial liabilities at amortized cost					
Non-current interest-bearing liabilities	2	**613,2**	**607,2**	469,4	466,5
Current liabilities, interest-bearing	2	**220,7**	**221,0**	345,4	346,3
Current liabilities, non-interest-bearing		**236,7**	**236,7**	265,5	265,5
Financial liabilities, total		**1 071,2**	**1 065,6**	1 084,3	1 082,3

In the balance sheet, derivative contracts are included in the following categories: Non-current and current receivables, non-interest-bearing and non-current 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 valuated at fair value during the reporting period.

Change in fair value of available-for-sale assets, EUR mill.	**2014**	2013
Carrying amount Jan. 1	**7,9**	5,0
Translation difference +/-	**0,0**	0,0
Profits (+) / losses (-) through profit or loss		0,0
Increases		0,0
Sale of shares	**0,0**	0,0
Transfers between items		2,8
Total	**7,8**	7,9

25. Pension obligations

Defined benefit pension plans

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 2015.

The defined benefit pension liability recognized in the balance

EUR mill.	**2014**	2013
Present value of unfunded obligations	**0,0**	0,4
Deficit/surplus	**0,0**	0,4
Unrecognized actuarial gains (+) and losses (–)		
Social security contribution	**0,0**	0,1
Other change in defined benefit obligation		-0,1
Recognized net amount of liability	**0,0**	0,3

The defined benefit pension expense recognized in the income statement

EUR mill.	**2014**	2013
Current service cost		
Interest costs	**0,0**	0,0
Actuarial gains (-) and losses (+)		
Losses/gains on plan curtailment		
Social security contribution	**0,0**	0,0
Other expeses related to the defined benefit liability		
Total	**0,0**	0,0

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

EUR mill.	**2014**	2013
Opening defined benefit obligation	**0,3**	0,6
Translation differences		
Interest costs	**0,0**	0,0
Actuarial gains (-) and losses (+)		
Remeasurement gains/losses on defined benefit pension liability net-of-tax	**0,0**	0,1
Losses/gains on plan curtailment		
Translation differences		
Benefits paid	**-0,1**	-0,2
Other change in defined benefit obligation	**-0,2**	-0,1
Closing defined benefit obligation	**0,0**	0,3

Expected maturity analysis of undiscounted pension liabilities

EUR mill. 31.12.2014	**During one year**	**Over one year and at most two years**	**Over two years and at most five years**
Pension liabilities	**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.	**31.12.2014**	31.12.2013
Change in discount rate	**0,0**	
Changes in other financial assumptions	**-0,0**	0,0
Changes in life expectancy	**0,0**	0,0
Changes in experience	**-0,0**	-0,2
Tax benefit/expence	**0,0**	0,1
Total	**-0,1**	-0,1

Actuarial assumptions applied

	31.12.2014	31.12.2013
Discount rate	**2,5 %**	3,7%
Future salary increases	**0,0 %**	3,5 %
Turnover of personnel	**0,0 – 8,0 %**	0,0 – 8,0 %
Inflation	**2,0 %**	2,0 %

26. Operating leases

The Group as lessee

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

EUR mill.	2014	2013
Within one year	**180,1**	187,5
Within 1-5 years	**434,1**	444,2
In five years or more	**324,7**	250,2
Total	**939,0**	881,8

Lease payments

EUR mill.	2014	2013
Within one year	**0,6**	0,6
Within 1-5 years	**1,3**	1,1
Total	**1,9**	1,7

27. Contingent liabilities

Collaterals given for own liabilities

EUR mill.	2014	2013
Mortgages given	**1,7**	1,7
Guarantees	**7,9**	8,1
Securities pledged		
Total	**9,6**	9,7

Liabilities, total

EUR mill.	2014	2013
Mortgages	**1,7**	1,7
Guarantees	**7,9**	8,1
Pledges		
Total	**9,6**	9,7

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 20.0 mill.

28. Derivative contracts

Nominal values of derivative contracts

Derivative contracts, hedge accounting applied

EUR mill.	2014	2013
Currency forwards	**55,0**	67,8
Electricity forwards		
Total	**55,0**	67,8

Derivative contracts, hedge accounting not applied

EUR mill.	2014	2013
Currency swaps	**377,6**	515,0
Currency forwards		
Electricity forwards	**1,5**	0,9
Total	**379,1**	515,9

Fair value of derivative contracts in year 2014

Derivative contracts, hedge accounting applied

EUR mill.	Positive	Negative	Net
Currency forwards	**4,4**		**4,4**
Currency options			
Electricity forwards			
Total	**4,4**		**4,4**

Derivative contracts, hedge accounting not applied

EUR mill.	Positive	Negative	Net
Currency swaps	**6,6**	**-0,4**	**6,2**
Currency forwards			
Electricity forwards		**-0,2**	**-0,2**
Total	**6,6**	**-0,6**	**6,0**

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			
Total	0,2	-0,9	-0,7

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
Total	6,9	-3,1	3,8

All the derivatives that are open on the balance sheet date, 31 December 2014, 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 2014. 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.

29. 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, 2014

Financial assets, EUR mill.	**Carrying amount**	**Items under netting arrangements**	**Net**
Currency derivatives, hedge accounting applied	4,4		4,4
Currency derivatives, hedge accounting not applied	6,6	-0,3	6,3
Electricity derivatives, hedge accounting not applied			
Financial assets, total	11,0	-0,3	10,7
Financial liabilities, EUR mill.			
Currency derivatives, hedge accounting applied			
Currency derivatives, hedge accounting not applied	-0,4	0,3	-0,1
Electricity derivatives, hedge accounting not applied	-0,2		-0,2
Financial liabilities, total	-0,6	0,3	-0,3

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
Financial liabilities, EUR mill.			
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

30. 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 2014:

- Kaj-Gustaf Bergh, Chairman of the Board of Directors from March 18th 2014 onwards
- Christoffer Taxell, Chairman of the Board of Directors until March 18th 2014
- Kari Niemistö, Vice Chairman of the Board of Directors and Member of the Board of Directors
- Eva Liljeblom, 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 Sjödell, Member of the Board of Directors
- Kjell Sundström, Member of the Board of Directors and Chief Strategy Officer from May 26th 2014 onwards
- Hannu Penttilä, CEO until August 26th 2014
- Per Thelin, CEO from November 10th 2014 onwards
- Pekka Vähähyyppä, Executive vice president and CFO
- Jukka Naulapää, Director, legal affairs
- Björn Teir, Director, Real Estate from November 1st 2014 onwards
- Tove Westermark, Development Director from November 1st 2014 onwards

- Lauri Veijalainen, Development director for the Group’s international operations and Deputy Director, Real Estate from November 1st 2014 onwards
- Maisa Romanainen, Executive vice president and director for the Department Store Division until October 31st 2014
- Jouko Pitkänen, Director, Stockmann Retail from November 1st 2014 onwards
- Heini Pirttijärvi, Director, human resources
- Göran Bille, Director, Fashion Chain Division, Managing director, Lindex until June 6th 2014
- Ingvar Larsson, Director, Fashion Chain Division, Managing director, Lindex from June 6th 2014 onwards

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 Liljeblom, 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 Sjödell, 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

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 2014	Chief Executive Officer	Other members of the Management Committee	Total
Short-term employee benefits	760 634	2 367 918	3 128 552
Post-employment benefits	4 856	160 554	165 410
Other long-term employee benefits	0	0	0
Termination benefits	0	0	0
Share-based payments	0	0	0
Employee benefits total	**765 490**	**2 528 472**	**3 293 962**
Remunerations to the Board of Directors, EUR 2014	**Fixed annual remuneration ***	**Remuneration based on participation**	**Total**
Bergh Kaj-Gustaf	76 000	5 500	81 500
Liljeblom Eva	38 000	6 000	44 000
Niemistö Kari	49 000	8 000	57 000
Sjödell Per	38 000	6 500	44 500
Tallqvist-Cederberg Charlotta	38 000	8 500	46 500
Taxell Christoffer	0	1 500	1 500
Teir-Lehtinen Carola	38 000	6 500	44 500
Wallgren Dag	38 000	8 000	46 000
Sundström Kjell	38 000	2 500	40 500
Remunerations to the Board of Directors total	**353 000**	**53 000**	**406 000**
Fees and remunerations to key personnel total, EUR			**3 699 962**

* paid in shares 16 708 pieces in 2014.

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
Employee benefits total	**727 440**	**2 171 715**	**2 899 155**
Remunerations to the Board of Directors, EUR 2013	**Fixed annual remuneration ***	**Remuneration based on participation**	**Total**
Bergh Kaj-Gustaf	0	1 500	1 500
Liljeblom Eva	38 000	3 000	41 000
Niemistö Kari	49 000	5 500	54 500
Sjödell 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
Remunerations to the Board of Directors total	**353 000**	**34 000**	**387 000**
Fees and remunerations to key personnel total, EUR			**3 286 155**

* paid in shares 14 567 pieces in 2013

Key employee share options 2010

On 31 December 2014, the Group’s Management Committee had 204,476 granted options, of which 139,800 were exercisable.

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

Management's pension commitments

Under the CEO agreement, Hannu Penttilä, CEO was entitled to retire at the earliest from April 2013 when he turned 60. However, Penttilä only exercised this entitlement as of 1 January 2015. The pension of Hannu Penttilä, CEO, is determined on the basis of TyEL insurance under the Employees Pensions Act (TyEL), and 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 in 2009 - 2012 and as an average of the two middle years of these. The insurance cost was not collected in 2014 (EUR 87 375 in year 2013). The pension of Kaj-Gustaf Bergh, who acted as Stockmann plc’s temporary CEO, was determined in full in accordance with the Finnish employment pension legislation. The retirement age of Per Thelin, the new CEO as of 10th November 2014, is determined in accordance with the Finnish employment pension legislation. In addition to a statutory pension plan, a defined contribution supplementary pension plan was also taken out for Thelin and the insurance cost for this was EUR 4856 in 2014.

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 Hannu Penttilä or is accrued on a defined contribution basis. Each month, the company pays an agreed percentage of earnings into a defined contribution pension plan. The costs of both forms of insurance in 2014, for others than the CEO, amounted to EUR 160 554 (EUR 290 365 in year 2013).

Other related party transactions

The Board members are paid other compensations in 2014 EUR 291 000.

31. 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. Treasury 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 ruble and the Norwegian krone. The primary purchasing currencies are the euro, the United States dollar, the Russian ruble, and the Swedish krona. In 2014, foreign-currency-denominated sales accounted for 48 per cent (2013: 48 per cent) of the Group's entire sales. Purchases with a transaction risk made up 26 per cent (2013: 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 and Sweden. In 2014 these purchases accounted for 11 per cent (2013: 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 6 months of 2015. 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 28. The table below shows the distribution of currency for outstanding derivatives hedging cash flows. For each derivative, the amounts are shown for both the bought and the sold currency.

Foreign exchange derivatives hedging cash flows

EUR mill	**2014**	2013
USD	**59,3**	67,1
SEK	**-28,5**	-38,9
NOK	**-14,7**	-14,5
EUR	**-11,7**	-14,4

Sensitivity Analysis, cash flow hedges, effect on equity after tax of a 10 % strengthening or weakening of the euro

2014 EUR mill	**USD**	**SEK**	**NOK**
Change + 10 %	-4,2	-0,6	1,0
Change - 10 %	5,1	0,7	-1,3

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

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 62% 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

2014, EUR mill	**SEK**	**RUB**	**LTL***	**NOK**	**CZK**	**USD**	**PLN**
Receivables	851,9	7,4		12,4	28,1	12,7	8,3
Loans from financial institutions	-453,4			-2,0		-0,2	
Trade payables and other current liabilities	-50,4	-11,5		-0,2		-23,8	
Foreign currency exposure in the balance sheet	348,1	-4,1		10,2	28,1	-11,3	8,3
Foreign exchange derivatives hedging balance sheet items	-316,8			-7,1	-25,2	20,1	-7,6
Foreign currency loans hedging the net investment	37,6						
Net position in the balance sheet	68,9	-4,1		3,1	2,9	8,8	0,7

2013, EUR mill	SEK	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

*) The currency exposure in LTL at the balance sheet date, 31 December 2014, has been excluded since Lithuania joins the euro area on 1 January 2015.

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

2014 EUR mill	**SEK**	**RUB**	**LTL ***	**NOK**	**CZK**	**USD**	**PLN**
Change + 10 %	-5,0	0,3	0,0	-0,2	-0,2	-0,6	0,0
Change - 10 %	6,1	-0,4	0,0	0,3	0,2	-0,8	0,1

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

*) The currency exposure in LTL at the balance sheet date, 31 December 2014, has been excluded since Lithuania joins the euro area on 1 January 2015.

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. Since the financial statements of the Russian subsidiaries have been translated into euro according to IAS 21 using euro as the functional currency, equity in the Russian subsidiaries is not exposed to currency risk.

Sensitivity Analysis, effect on equity

2014 EUR mill	**SEK**
Change + 10 %	-8,3
Change - 10 %	10,2

2013 EUR mill	SEK
Change + 10 %	-12,8
Change - 10 %	15,6

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 2014, Stockmann's interest-bearing loans and bank receivables had a duration of 8.9 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 2014:

Interest rate adjustement, period, EUR mill	**< 1 month**	**1–12 months**	**1–3 years**	**3–5 years**	**Total**
Bond Issues				149,3	149,3
Loans from financial institutions	81,5	382,6			464,1
Finance leases		0,4	0,1		0,5
Other interest bearing liabilities	104,0	116,1			220,0
Total	185,5	499,0	0,1	149,3	833,9
Cash and bank receivables	-29,3				-29,3
Total	156,2	499,0	0,1	149,3	804,6

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

Interest rate adjustement, period, EUR mill	< 1 month	1–12 months	1–3 years	3–5 years	Totalt
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
Total	329,7	335,5	0,5	149,1	814,8
Cash and bank receivables	-33,9				-33,9
Total	295,8	335,5	0,5	149,1	780,9

A rise of one percentage point in market interest rates would have an imputed effect on Stockmann's profit after taxes of EUR -3.9 million (2013: EUR -4.1 million) at the balance sheet date, 31 December 2014. Correspondingly, a decline of one percentage point in market interest rates would have an imputed effect on Stockmann's profit after taxes of EUR +3.6 million (2013: EUR +4.1 million) at the balance sheet date, 31 December 2014. 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 2014, 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 1 539 million, of which EUR 834 million was drawn. Committed credit facilities amounted to EUR 919 million. Of these facilities, EUR 622 million was utilized. In addition the Group has the option to receive committed financing against applicable guarantees from the pension insurance company up to EUR 185 million In December 2013, Stockmann refinanced a major part of its long-term credit facilities. Committed bilateral agreements with 6 banks were signed for credit facilities of EUR 700 million. These facilities will mature in February 2019. In November 2012 Stockmann issued a corporate bond of EUR 150 million, listed on NASDAQ OMX Helsinki, which matures in 2018. Stockmann also has a committed bilateral loan agreement maturing in 2016 as well as a committed credit facility with NIB and a domestic commercial paper program of EUR 600 million. Borrowing within the commercial paper program amounted to EUR 207 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	**2014**	2013
Cash and bank receivables	**29,3**	33,9
Credit facility, due in 2015		393,4
Credit facility, due in 2016	**1,8**	
Credit facility, due in 2017		
Credit facility, due in 2018		
Credit facility, due in 2019 +	**294,7**	
Overdraft facilities	**1,4**	2,6
Total	**327,3**	429,9

Cash flows based on agreements in financial liabilities, including financing costs, were the following at 31 December 2014:

EUR mill	Carrying amount	2015	2016	2017	2018	2019+	Total
Bonds	149,3	-5,1	-5,1	-5,0	-155,0		-170,2
Loans from financial institutions	464,1	-19,0	-61,2	-8,2	-8,2	-406,6	-503,2
Finance leases	0,5	-0,4	-0,1				-0,5
Other interest-bearing liabilities	220,1	-212,1	-8,7				-220,9
Trade payables and other current liabilities	236,7	-236,7					-236,7
Total	1 070,7	-473,3	-75,1	-13,3	-163,3	-406,6	-1 131,6
Derivatives							
FX Derivatives	0,4						
Assets		88,1					88,1
Liabilities		-88,5					-88,5
Electricity Derivatives	0,2						
Net cash flow		-0,1	0,0	0,0	0,0		-0,2
Total	0,6	-0,6	0,0	0,0	0,0		-0,7

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
Total	1 080,3	-623,0	-275,6	-61,2	-5,0	-155,0	-1 119,8
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
Total	3,9	-2,8	-0,1				-2,9

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 2014, 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.	2014 *	2013
Trade receivables not due	**11,7**	46,1
Trade receivables fallen due in 1–30 days	**5,7**	11,0
Trade receivables fallen due in 31–120 days	**1,6**	2,4
Trade receivables fallen due in over 120 days	**0,5**	2,7
Total	**19,5**	62,1

*) The assets and liabilities related to the Hobby Hall distance retailing operations are classified as assets held for sale on the balance sheet dated 31.12.2014. More information in note 3.

The carrying amount of trade receivables corresponds to the maximum amount of the credit risk for them. EUR 0.4 million of impairment losses were recognized on trade receivables in 2014 (2013: EUR 1.1 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, 2014 was 39.3 per cent (at December 31, 2013 it was 43.8 per cent).

32. Events after the balance sheet

A new operating structure under three divisions – Stockmann Retail, Real Estate and Fashion Chains – was taken into use as of 1 January 2015. Stockmann will start reporting the fair market value of the Group’s real estate properties from 2015 onwards. On 1 January 2015, fair value of the properties in Helsinki, St Petersburg, Tallinn and Riga was in total EUR 908.3 million.

The Real Estate division’s aim is to increase the value of properties by maximising cash flows from leasing operations, and to enhance the customer experience by complementing Stockmann Retail’s offering with goods and services from attractive new retail tenants. Stockmann has agreed to lease retail space in its department stores to Expert ASA Oy. Expert will open its store in the Helsinki city centre store premises in May 2015, in Turku by the end of June and in Tampere during the autumn.

On 2 February 2015, Stockmann signed a letter of intent to sell the ownership of Seppälä to Seppälä’s current CEO, Eveliina Melentjeff, and her husband. The management buyout will take place on 1 April 2015 and will cover 82 Seppälä stores in Finland and 20 stores in Estonia. In addition, 41 stores in Finland will be closed in 2015. Seppälä business operations will continue to have over 100 stores in Finland and Estonia, and will employ around 600 people in these two countries. Seppälä business operations belong to Fashion Chain Division segment. Stockmann recorded EUR 24.1 million as non-recurring expenses in its financial statements.

Lindex is planning to gradually close down all its stores in Russia.

Stockmann plc
Income Statement, FAS

	Ref.	1.1.-31.12.2014 EUR	% of Rev.	1.1.-31.12.2013 EUR	% of Rev.
REVENUE		**754 073 849,40**	100,0	838 241 850,27	100,0
Other operating income	2	**18 602 779,02**	2,5	20 889 747,55	2,5
Materials and services					
Materials and consumables:					
Purchases during the financial year		**462 515 847,30**		493 956 186,24	
Change in inventories, increase (-), decrease (+)		**2 626 218,32**		7 181 210,03	
Materials and services, total		**465 142 065,62**	61,7	501 137 396,27	59,8
Wages, salaries and employee benefits	3	**164 852 496,43**	21,9	170 262 634,00	20,3
Depreciation, amortization and reduction in value	4	**23 903 973,05**	3,2	21 630 422,60	2,6
Other operating expenses	5	**171 680 701,57**	22,8	155 877 684,75	18,6
		825 579 236,67	109,5	848 908 137,62	101,3
OPERATING PROFIT (LOSS)		**-52 902 608,25**	-7,0	10 223 460,20	1,2
Financial income and expenses	6	**-115 611 040,18**	-15,3	12 251 303,12	1,5
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES		**-168 513 648,43**	-22,3	22 474 763,32	2,7
Appropriations	7	**-5 847 427,14**	-0,8	-7 074 779,92	-0,8
Income taxes					
For previous financial years		**155 167,11**		167 813,72	
Income taxes, total		**155 167,11**	0,0	167 813,72	0,0
PROFIT (LOSS) FOR THE PERIOD		**-174 516 242,68**	-23,1	15 232 169,68	1,8

Stockmann plc
Balance sheet, FAS

ASSETS	**Ref.**	**31.12.2014 EUR**	31.12.2013 EUR
NON-CURRENT ASSETS			
Intangible assets	8		
Intangible rights		**51 172 736,70**	28 569 429,65
Goodwill		**215 635,02**	646 905,07
Advance payments and projects in progress		**3 253 887,12**	21 918 022,96
Intangible assets, total		**54 642 258,84**	51 134 357,68
Property, plant, equipment	9		
Land and water		**13 506 524,78**	12 492 158,96
Buildings and constructions		**295 424 237,11**	304 186 137,93
Machinery and equipment		**15 374 085,30**	14 315 336,13
Wages, salaries and employee benefits		**4 305 758,51**	4 013 278,81
Depreciation, amortization and reduction in value		**55 055,76**	55 055,76
Advance payments and construction in progress		**12 861 163,18**	3 957 597,65
Property, plant, equipment, total		**341 526 824,64**	339 019 565,24
Investments	10		
Holdings in Group undertakings		**177 005 023,06**	244 796 642,63
Other shares and participations		**10 458 939,61**	10 458 939,61
Investments, total		**187 463 962,67**	255 255 582,24
NON-CURRENT ASSETS, TOTAL		**583 633 046,15**	645 409 505,16
CURRENT ASSETS			
Inventories			
Materials and consumables		**101 481 780,87**	104 107 999,19
Inventories, total		**101 481 780,87**	104 107 999,19
Non-current receivables			
Loans owed by Group undertakings		**863 272 786,39**	
Non-current receivables, total		**863 272 786,39**	
Current receivables	11		
Trade receivables		**43 116 181,83**	53 838 133,15
Amounts owed by Group undertakings		**46 009 772,73**	1 083 484 042,67
Other receivables		**10 015 106,25**	3 990 412,78
Prepayments and accrued income		**14 944 689,53**	16 041 095,98
Current receivables, total		**114 085 750,34**	1 157 353 684,58
Cash in hand and at banks	12	**9 611 707,51**	7 302 652,40
CURRENT ASSETS, TOTAL		**1 088 452 025,11**	1 268 764 336,17
ASSETS, TOTAL		**1 672 085 071,26**	1 914 173 841,33

Stockmann plc
Balance sheet, FAS

EQUITY AND LIABILITIES

	Ref.	**31.12.2014 EUR**	31.12.2013 EUR
EQUITY	13-14		
Share capital		**144 097 366,00**	144 097 366,00
Premium fund		**186 346 445,72**	186 346 445,72
Reserve for invested unrestricted equity		**255 735 789,28**	255 735 789,28
Other funds		**43 728 921,17**	43 728 921,17
Retained earnings		**65 885 647,56**	79 472 951,08
Net profit (loss) for the financial year		**-174 516 242,68**	15 232 169,68
EQUITY, TOTAL		**521 277 927,05**	724 613 642,93
ACCUMULATED APPROPRIATIONS	15	**129 017 400,00**	123 169 972,86
PROVISIONS	16	**14 796 746,54**	
LIABILITIES			
Non-current liabilities			
Bonds		**150 000 000,00**	150 000 000,00
Loans from credit institutions		**463 149 428,75**	319 930 166,01
Amounts owed to Group undertakings		**47 354 793,66**	
Non-current liabilities, total		**660 504 222,41**	469 930 166,01
Current liabilities	17-18		
Loans from credit institutions		**8 888 888,88**	8 888 888,88
Advances received		**851 836,66**	68 689,86
Trade payables		**57 629 281,16**	64 623 015,42
Amounts owed to Group undertakings		**3 382 402,70**	123 019 816,17
Other payables		**237 423 787,61**	359 409 790,78
Accrued expenses and prepaid income		**38 312 578,25**	40 449 858,42
Current liabilities, total		**346 488 775,26**	596 460 059,53
LIABILITIES, TOTAL		**1 006 992 997,67**	1 066 390 225,54
EQUITY AND LIABILITIES, TOTAL		**1 672 085 071,26**	1 914 173 841,33

Stockmann plc
Cash flow statement

	2014 EUR	2013 EUR
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) for the financial year	**-174 516 242,68**	15 232 169,68
Adjustments:		
Depreciation and amortisation	**23 903 973,05**	21 630 422,60
Other adjustments	**14 819 241,88**	
Financial income and expenses	**115 611 040,18**	-12 251 303,12
Appropriations	**5 847 427,14**	7 074 779,92
Income taxes	**155 167,11**	167 813,72
Changes in working capital:		
Change in trade and other receivables	**40 479 015,36**	-7 840 573,97
Change in inventories	**2 626 218,32**	7 181 210,03
Change in trade payables and other liabilities	**-10 848 696,01**	966 737,61
Interest and other financial expenses paid	**-24 553 620,49**	-29 636 516,42
Interest received	**34 075 294,71**	42 768 733,09
Income taxes paid	**-239 758,90**	-336 214,46
NET CASH FROM OPERATING ACTIVITIES	**27 359 059,67**	44 957 258,68
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on tangible and intangible assets	**-29 875 054,11**	-31 683 081,87
Additions to holdings in Group undertakings	**-75 254 380,43**	-2 000 000,00
Proceeds from disposal of subsidiary shares		426 608,00
Proceeds from disposal of tangible assets	**60 200,00**	
Capital expenditures on other investments		-2 000,00
Proceeds from repayments of loan receivables	**51 791 233,50**	18 354 663,29
Dividends received	**84 234 328,56**	33 251 114,14
NET CASH FROM INVESTING ACTIVITIES	**30 956 327,52**	18 347 303,56
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (-)/decrease (+) of loan receivables	**-13 014 943,82**	-19 673 130,88
Proceeds from (+)/ repayments of (-) short-term loans	**-128 770 146,64**	8 644 475,03
Repayments of long-term loans	**-492 439 764,40**	-260 284 102,88
Proceeds from long-term loans	**607 037 995,98**	246 585 613,54
Dividends paid	**-28 819 473,20**	-43 229 209,80
Proceeds from (+)/ payment of (-) group contributions		4 250 000,00
NET CASH FROM FINANCING ACTIVITIES	**-56 006 332,08**	-63 706 354,99
Change in cash in hand and at banks	**2 309 055,11**	-401 792,75
Cash in hand and at banks at start of the financial year	**7 302 652,40**	7 704 445,15
Cash in hand and at banks at end of the financial year	**9 611 707,51**	7 302 652,40

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, rental income from subsidiaries and charges for services rendered to subsidiaries.

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

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

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 weighted average cost method and it includes all the direct costs of the purchase.

Derivative instruments
Derivative agreements made to hedge against foreign exchange rate risk are valued at market value. Exchange and interest rate differences related to derivative agreements have been entered on an accrual basis as financial income and expenses.

2. Other operating income

EUR	**2014**	2013
Compensation for services to Group companies	**14 288 708,11**	16 899 687,32
Rental income from subsidiaries	**4 350 804,63**	3 914 862,99
Other operating income	**-36 733,72**	75 197,24
Total	**18 602 779,02**	20 889 747,55

3. Wages, salaries and employee benefits expenses

EUR	**2014**	2013
Salaries and emoluments paid to the CEO and his alternate	**739 812,00**	618 480,00
Salaries and emoluments paid to the Board of Directors	**406 000,00**	385 500,00
Other wages and salaries	**128 801 846,88**	133 611 764,05
Wages during sick leave	**4 300 995,76**	4 041 137,89
Pension expenses	**23 205 708,43**	23 996 107,33
Other staff expenses	**7 398 133,36**	7 609 644,73
Total	**164 852 496,43**	170 262 634,00

Staff, average	**4 855**	5 198

Management pension liabilities

Under the CEO agreement, Hannu Penttilä, CEO was entitled to retire at the earliest from April 2013 when he turned 60. However, Penttilä only exercised this entitlement as of 1 January 2015. The pension of Hannu Penttilä, CEO, is determined on the basis of TyEL insurance under the Employees Pensions Act (TyEL), and 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 in 2009 - 2012 and as an average of the two middle years of these. The insurance cost was not collected in 2014 (EUR 87 375 in year 2013). The pension of Kaj-Gustaf Bergh, who acted as Stockmann plc's temporary CEO, was determined in full in accordance with the Finnish employment pension legislation. The retirement age of Per Thelin, the new CEO as of 9 November 2014, is determined in accordance with the Finnish employment pension legislation. In addition to a statutory pension plan, a defined contribution supplementary pension plan was also taken out for Thelin and the insurance cost for this was EUR 4 856 in 2014.

4. Depreciation, amortisation and reduction in value

EUR	**2014**	2013
Intangible rights	**7 987 280,45**	5 938 844,54
Goodwill	**431 270,05**	431 270,04
Modification and renovation expenses for leased premises	**1 332 421,36**	1 331 570,78
Buildings and constructions	**9 184 703,19**	9 215 176,68
Machinery and equipment	**4 968 298,00**	4 713 560,56
Total	**23 903 973,05**	21 630 422,60

5. Other operating expenses

EUR	**2014**	2013
Site expenses	**84 677 493,75**	74 321 613,27
Marketing expenses	**26 986 582,62**	25 142 386,22
IT and telecommunication expenses	**21 486 614,09**	19 353 720,00
Goods handling expenses	**17 117 563,64**	18 002 735,09
Voluntary indirect employee expenses	**2 253 632,13**	2 615 402,17
Credit losses	**-1 557 221,06**	1 383 177,23
Other expenses	**20 716 036,40**	15 058 650,77
Total	**171 680 701,57**	155 877 684,75

Auditors' fees

EUR	**2014**	2013
Audit fees	**145 957,03**	166 345,00
Tax consulting	**122 283,68**	88 424,00
Certificates and advice	**7 557,50**	632,00
Other services	**40 347,50**	13 500,00
Total	**316 145,71**	268 901,00

6. Financial income and expenses

EUR	2014	2013
Dividend from Group undertakings	**105 068 959,48**	28 490 478,72
Other dividend income	**115 963,50**	181 899,50
Interest income from Group undertakings	**33 666 532,89**	41 893 304,42
Interest income from parties outside the Group	**445 643,42**	982 785,50
Interest expenses to Group undertakings	**-2 170 209,72**	-2 032 052,21
Interest expenses to parties outside the Group	**-22 505 547,58**	-30 006 535,84
Impairment of investments within non-current assets	**-187 005 673,88**	
Other financial expenses to parties outside the Group	**-26 689,01**	-9 986 796,22
Foreign exchange gains and losses (net)	**-43 200 019,28**	-17 271 780,75
Total	**-115 611 040,18**	12 251 303,12

7. Appropriations

EUR	2014	2013
Change in depreciation reserve		
Intangible rights	**-1 088 581,27**	-235 160,50
Modification and renovation expenses for leased premises	**183 205,00**	209 333,17
Buildings and constructions	**-5 031 460,68**	-7 149 276,64
Machinery and equipment	**89 409,81**	100 324,05
Total	**-5 847 427,14**	-7 074 779,92

Non-current assets

8. Intangible assets

Intangible rights

EUR	2014	2013
Acquisition cost 1 January	**40 599 779,39**	25 746 985,52
Increases	**2 609 088,36**	2 308 627,34
Transfers between items	**27 981 540,50**	15 515 455,94
Decreases	**-4 365 389,78**	-2 971 289,41
Acquisition cost 31 December	**66 825 018,47**	40 599 779,39
Accumulated amortization 1 January	**12 030 349,74**	9 062 794,61
Accumulated amortization on reductions	**-4 365 348,42**	-2 971 289,41
Amortization for the financial year	**7 987 280,45**	5 938 844,54
Accumulated amortization 31 December	**15 652 281,77**	12 030 349,74
Book value 31 December	**51 172 736,70**	28 569 429,65

Goodwill

EUR mill.	2014	2013
Acquisition cost 1 January and 31 December	**2 156 350,22**	2 156 350,22
Accumulated amortization 1 January	**1 509 445,15**	1 078 175,11
Amortization for the financial year	**431 270,05**	431 270,04
Accumulated amortization 31 December	**1 940 715,20**	1 509 445,15
Book value 31 December	**215 635,02**	646 905,07

Advance payments and projects in progress

EUR	2014	2013
Acquisition cost 1 January	**21 918 022,96**	22 122 402,79
Increases	**10 993 115,73**	15 311 076,11
Transfers between items	**-29 657 251,57**	-15 515 455,94
Acquisition cost 31 December	**3 253 887,12**	21 918 022,96
Book value 31 December	**3 253 887,12**	21 918 022,96

Intangible assets, total	**54 642 258,84**	51 134 357,68

9. Tangible assets

Land and water

EUR	**2014**	2013
Acquisition cost 1 January	**6 593 808,38**	6 593 808,38
Transfers between items	**1 095 806,38**	
Decreases	**-81 440,56**	
Acquisition cost 31 December	**7 608 174,20**	6 593 808,38
Revaluations 1 January and 31 December	**5 898 350,58**	5 898 350,58
Book value 31 December	**13 506 524,78**	12 492 158,96

Buildings and constructions

EUR	**2014**	2013
Acquisition cost 1 January	**354 774 670,47**	355 890 276,76
Increases	**45 731,10**	241 492,91
Transfers between items	**369 712,45**	1 058 666,06
Decreases	**-813 425,77**	-2 415 765,26
Acquisition cost 31 December	**354 376 688,25**	354 774 670,47
Accumulated depreciation 1 January	**77 119 242,14**	70 319 830,72
Accumulated depreciation on reductions	**-748 094,55**	-2 415 765,26
Transfers between items	**-356,27**	
Depreciation for the financial year	**9 112 369,42**	9 215 176,68
Accumulated depreciation 31 December	**85 483 160,74**	77 119 242,14
Revaluations 1 January and 31 December	**26 530 709,60**	26 530 709,60
Book value 31 December	**295 424 237,11**	304 186 137,93

Machinery and equipment

EUR	**2014**	2013
Acquisition cost 1 January	**25 282 004,34**	21 311 387,36
Increases	**767 377,13**	1 989 944,66
Transfers between items	**5 266 672,60**	4 665 822,42
Decreases	**-3 706 107,48**	-2 685 150,10
Acquisition cost 31 December	**27 609 946,59**	25 282 004,34
Accumulated depreciation 1 January	**10 966 668,21**	8 938 257,75
Accumulated depreciation on reductions	**-3 707 009,92**	-2 685 150,10
Depreciation for the financial year	**4 976 203,00**	4 713 560,56
Accumulated depreciation 31 December	**12 235 861,29**	10 966 668,21
Book value 31 December	**15 374 085,30**	14 315 336,13

Modification and renovation expenses for leased premises

EUR	**2014**	2013
Acquisition cost 1 January	**12 584 961,96**	12 726 797,10
Increases	**301 980,54**	67 275,50
Transfers between items	**1 323 276,79**	1 332 843,64
Decreases	**-3 262 543,15**	-1 541 954,28
Acquisition cost 31 December	**10 947 676,14**	12 584 961,96
Accumulated depreciation 1 January	**8 571 683,15**	8 782 066,65
Accumulated depreciation on reductions	**-3 262 543,15**	-1 541 954,28
Transfers between items	**356,27**	
Depreciation for the financial year	**1 332 421,36**	1 331 570,78
Accumulated depreciation 31 December	**6 641 917,63**	8 571 683,15
Book value 31 December	**4 305 758,51**	4 013 278,81

Other tangible assets

EUR	**2014**	2013
Acquisition cost 1 January and 31 December	55 055,76	55 055,76
Book value 31 December	**55 055,76**	55 055,76

Advance payments and construction in progress

EUR	**2014**	2013
Acquisition cost 1 January	**3 957 597,65**	3 725 419,80
Increases	**16 039 069,61**	7 289 509,97
Transfers between items	**-6 379 757,15**	-7 057 332,12
Decreases	**-755 746,93**	
Acquisition cost 31 December	**12 861 163,18**	3 957 597,65
Book value 31 December	**12 861 163,18**	3 957 597,65

Tangible assets, total	**341 526 824,64**	339 019 565,24

Revaluations included in balance sheet values

EUR	**2014**	2013
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.

10. Investments

Holdings in Group undertakings

EUR	**2014**	2013
Acquisition cost 1 January	**244 796 642,63**	252 302 665,69
Increases	**117 664 986,87**	2 000 000,00
Decreases		-9 506 023,06
Impairments*	**-185 456 606,44**	
Book value 31 December	**177 005 023,06**	244 796 642,63

*Impairments of Russian and Seppälä business operations

Other shares and participations

EUR	**2014**	2013
Acquisition cost 1 January	**10 458 939,61**	10 456 939,61
Increases		2 000,00
Book value 31 December	**10 458 939,61**	10 458 939,61

Investments, total	**187 463 962,67**	255 255 582,24

11. Current receivables

Trade receivables

EUR	**2014**	2013
Interest-bearing trade receivables	**35 081 747,06**	39 591 982,52
Non-interest bearing trade receivables	**8 034 434,77**	14 246 150,63
Trade receivables, total	**43 116 181,83**	53 838 133,15

Amounts owed by Group undertakings

EUR	2014	2013
Dividend receivables	**24 720 536,57**	28 490 478,72
Trade receivables	**15 632 354,11**	23 010 602,23
Account receivables	**5 524 443,58**	3 835 197,40
Prepayments and accrued income	**129 610,71**	92 729,11
Loan receivables		1 028 055 035,21
Other current receivables	**2 827,76**	
Total	**46 009 772,73**	1 083 484 042,67

Essential items in prepayments and accrued income

EUR	2014	2013
Receivables from derivatives	**5 977 053,21**	6 323 103,62
Indirect employee expenses	**2 254 659,95**	1 736 409,37
Receivable from credit card co-operation	**1 980 194,60**	1 890 791,39
ICT expenses	**1 488 967,54**	2 091 929,30
Prepayments and accrued income from suppliers	**1 373 500,05**	580 789,20
Taxes and customs receivable	**461 875,33**	170 948,28
Marketing expenses	**446 976,63**	654 098,86
Rental and leasing expenses	**437 948,31**	312 133,19
Financial income		1 750 000,00
Other prepayments and accrued income	**523 513,91**	530 892,77
Total	**14 944 689,53**	16 041 095,98

12. Cash in hand and at banks

Cash in hand and at banks comprise bank deposits and cash in hand. Their book value s equivalent to their market value.

13. Changes in equity

Share capital

EUR	2014	2013
Series A shares 1 January	**61 191 530,00**	61 255 126,00
Conversion to Series B shares		-63 596,00
Series A shares 31 December	**61 191 530,00**	61 191 530,00
Series B shares 1 January	**82 905 836,00**	82 842 240,00
Conversion from Series A shares		63 596,00
Series B shares 31 December	**82 905 836,00**	82 905 836,00
Share capital, total	**144 097 366,00**	144 097 366,00
Premium fund 1 January and 31 December	**186 346 445,72**	186 346 445,72
Reserve for invested unrestricted equity 1 January and 31 December	**255 735 789,28**	255 735 789,28
Other funds 1 January and 31 December	**43 728 921,17**	43 728 921,17
Retained earnings 1 January	**94 705 120,76**	122 651 757,02
Dividends	**-28 819 473,20**	-43 229 209,80
Dividends which haven't been drawn		50 403,86
Retained earnings 31 December	**65 885 647,56**	79 472 951,08
Net profit (loss) for the financial year	**-174 516 242,68**	15 232 169,68
Equity, total	**521 277 927,05**	724 613 642,93

Breakdown of distributable funds 31 December

EUR	**2014**	2013
Funds	**299 464 710,45**	299 464 710,45
Retained earnings	**65 885 647,56**	79 472 951,08
Net profit (loss) for the financial year	**-174 516 242,68**	15 232 169,68
Total	**190 834 115,33**	394 169 831,21

14. Parent company's shares

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

15. Accumulated appropriations

The accumulated appropriations comprise accumulated depreciation difference.

16. Provisions

Other provisions

EUR	**2014**	2013
Rental commitments and closing cost of discontinued stores	**14 296 746,54**	
Other	**500 000,00**	
Total	**14 796 746,54**	

17. Current liabilities

EUR	**2014**	2013
Interest-bearing liabilities	**218 466 521,21**	458 607 191,11
Non-interest-bearing liabilities	**128 022 254,05**	137 852 868,42
Total	**346 488 775,26**	596 460 059,53

Amounts owed to Group undertakings

EUR	**2014**	2013
Trade payables, non-interest-bearing	**1 117 720,55**	726 508,15
Other liabilities, interest-bearing	**1 800 928,84**	121 818 085,48
Other liabilities, non-interest-bearing	**463 753,31**	475 222,54
Total	**3 382 402,70**	123 019 816,17

18. Essential items in accruals and prepaid income

EUR	**2014**	2013
Staff expenses	**27 187 678,13**	29 432 951,43
Interest and other financial expenses	**5 466 166,30**	4 704 106,27
Reserve for loss	**1 740 000,00**	1 620 000,00
Collection expenses for receivables	**957 910,00**	
Reserve for returns	**800 224,55**	915 019,32
Site expenses	**794 192,46**	174 352,89
Derivative payables	**291 529,19**	2 669 195,28
Income taxes		113 008,73
Other accrued expenses and prepaid income	**1 074 877,62**	821 224,50
Total	**38 312 578,25**	40 449 858,42

19. Security pledged

Security pledged on behalf of the company

EUR	**2014**	2013
Mortgages given	**1 681 800,00**	1 681 800,00
Guarantees		550 000,00
Security pledged on behalf of the company, total	**1 681 800,00**	2 231 800,00

Security pledged on behalf of Group undertakings

EUR	**2014**	2013
Rent guarantees	**42 516 717,10**	38 885 158,66
Other guarantees	**3 120 644,92**	2 526 299,76
Total	**45 637 362,02**	41 411 458,42

Security pledged, total

EUR	**2014**	2013
Mortgages	**1 681 800,00**	1 681 800,00
Guarantees	**45 637 362,02**	41 961 458,42
Total	**47 319 162,02**	43 643 258,42

20. Other commitments

Leasing commitments

EUR	**2014**	2013
Payable during one year	**412 993,18**	2 216 537,25
Payable during more than one year	**1 120 638,38**	820 924,77
Total	**1 533 631,56**	3 037 462,02

Investments in real estate

The company is required to adjust the VAT deductions made on real estate investments completed in 2008-2014, if the VAT-liable use of the real estate decreases during the adjustment period. The last adjustment year is 2024, and the maximum liability is EUR 20 017 290. In 2013 the maximum liability was EUR 23 263 932.

Pension liabilities

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

21. Shares and participations

Group undertakings

Parent company holdings	Shareholding %	Voting rights %
Seppälä Oy, Helsinki	100	100
Stockmann AS, Tallinn	100	100
SIA Stockmann, Riga	100	100
SIA Stockmann Centrs, Riga	63	63
Oy Stockmann Russia Holding Ab, Helsinki	100	100
Oy Suomen Pääomarahoitus - Finlands Kapitalfinans Ab, Helsinki	100	100
Stockmann Sverige AB, Stockholm	100	100
Kiinteistö Oy Friisinkeskus II, Espoo	97	97
Oy Hullut Päivät-Galna Dagar Ab, Helsinki	100	100

Holdings of subsidiaries	Shareholding %	Voting rights %
ZAO Stockmann, Moscow	100	100
Oy Stockmann Russia Finance Ab, Helsinki	100	100
OOO Stockmann Stp Centre, St Petersburg	100	100
Seppälä Finland Oy, Helsinki	100	100
Oü Seppälä Estonia, Tallinn	100	100
SIA Seppala Latvia, Riga	100	100
UAB Seppala Lithuania, Vilnius	100	100
TOV Stockmann, Kiev	100	100
AB Lindex, Gothenburg	100	100
AB Lindex holdings of subsidiaries		
Lindex Sverige AB, Gothenburg	100	100
Lindex AS, Oslo	100	100
Lindex Oy, Helsinki	100	100
Lindex Oü, Tallinn	100	100
Lindex SIA, Riga	100	100
Lindex UAB, Vilnius	100	100
Lindex s.r.o, Prague	100	100
AB Espevik, Alingsås	100	100
Espevik i Sverige AB, Gothenburg	100	100
Lindex H.K. Ltd, Hong Kong	99	99
Shanghai Lindex Consulting Company Ltd, Shanghai	100	100
Lindex Financial Services AB, Gothenburg	100	100
Lindex India Private Ltd, New Delhi	100	100
It will be fit AB, Gothenburg	100	100
Lindex GmbH, Dusseldorf	100	100
Lindex Slovakia s.r.o., Bratislava	100	100
Lindex PL Sp.z.o.o., Warsaw	100	100
Lindex UK Fashion Ltd, London	100	100

Joint operations	Shareholding %
Kiinteistö Oy Tapiolan Säästötammi Fastighets Ab, Espoo	37,8

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

Other undertakings

Parent company holdings	Shareholding %
Kiinteistö Oy Tapiolan Säästötammi Fastighets Ab, Espoo	37,8
Tuko Logistics Oy, Kerava	10,0
Others	n/a

BOARD PROPOSAL FOR THE DISTRIBUTION OF PARENT COMPANY PROFIT

The parent company's distributable funds according to the balance sheet at 31 December 2014 were EUR 190.8 million.

The Board of Directors proposes that no dividend will be paid on the company's shares and the net result of financial year 2014 will be carried further in the retained earnings.

Helsinki, 12 February 2015

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

BOARD OF DIRECTORS

Kaj-Gustaf Bergh

Eva Liljebom Kari Niemistö Per Sjödell Kjell Sundström

Charlotta Tallqvist-Cederberg Carola Teir-Lehtinen Dag Wallgren

CEO

Per Thelin

Our auditor's report has been issued today.

Helsinki, 23 February 2015

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, 2014. 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

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Business ID 1805485-9
Domicile Helsinki

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 23, 2015

(signed)
Jari Härmälä
Authorized Public Accountant

(signed)
Anders Lundin
Authorized Public Accountant