Financial Statements Bulletin 2017

STOCKMANN

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Stockmann Retail and Real Estate improved their operating results in 2017, Lindex's operating profit declined

October-December 2017, continuing operations:
- Consolidated revenue was EUR 315.7 million (348.0).
- Revenue in comparable businesses was down by 0.2%.
- Gross margin was 56.8% (55.8).
- Adjusted operating result was EUR 24.2 million (34.9).

January-December 2017, continuing operations:
- Consolidated revenue was EUR 1 055.9 million (1 175.7).
- Revenue in comparable businesses was down by 1.5%.
- Gross margin was 55.8% (55.7).
- Adjusted operating result was EUR 12.3 million (30.9).
- Reported operating result was EUR -148.4 million (28.3), including an impairment charge of EUR 150 million in Lindex's goodwill.
- Adjusted earnings per share were EUR -0.59 (-0.14).

The food operations in Finland, which were divested on 31 December 2017, have been classified as discontinued operations. The comparison figures have been adjusted accordingly. The comments in the Financial Statement Bulletin refer only to continuing operations.

The Board of Directors will propose no dividend to be paid for the financial year 2017.

Guidance for 2018:
Stockmann expects the Group's revenue for 2018 to be on a par with the previous year. Adjusted operating profit is expected to improve in 2018.

CEO Lauri Veijalainen:
Stockmann achieved a positive operating result in 2017, but the result declined from the previous year. Lindex's performance was not satisfactory, so we have initiated firm measures to ensure its turnaround. Susanne Ehnbåge will start as the new CEO of Lindex at the latest in August. Stockmann Retail and Real Estate both continue to head in the right direction with visibly improved results in 2017. We must however increase the speed of the transformation.

Stockmann Retail's operating result improved by EUR 18.5 million, thanks to increased comparable revenue and significantly decreased costs. The best development was achieved in the online store and in the Baltic department stores. However, in the fourth quarter we didn't maintain the good progress of the first three quarters of the year, and the outcome was lower than expected. The result for the whole year remained at a loss. Our main target in 2018 is for Stockmann Retail's adjusted operating result (EBIT) to be positive.

Real Estate continued its good growth in revenue and operating profit in 2017. Also the fair value of Stockmann's properties improved. Lindex's operating profit fell significantly in 2017 as the revenue declined in the main markets. Its performance did, however, improve towards the end of the year, with an operating profit of EUR 10 million in the last quarter.

We are entering 2018 from a somewhat more challenging starting point, and the first-quarter operating result will still remain on a low level. The past year shows that our operations must be able to respond more quickly to rapid changes both in the market and in customer behaviour. We will invest more heavily in digitalisation, secure sales, and boost the implementation of efficiency measures in order to improve our results.

KEY FIGURES

Continuing operations	10–12/2017	Restated 10–12/2016	1–12/2017	Restated 1–12/2016
Revenue, EUR mill.	**315.7**	348.0	**1 055.9**	1 175.7
Gross margin, %	**56.8**	55.8	**55.8**	55.7
EBITDA, EUR mill.	**34.1**	47.5	**67.6**	85.6
Adjusted EBITDA, EUR mill.	**39.8**	50.1	**73.2**	88.2
Operating result (EBIT), EUR mill.	**13.6**	32.3	**-148.4**	28.3
Adjusted operating result (EBIT), EUR mill.	**24.2**	34.9	**12.3**	30.9
Net financial items, EUR mill.*	**-10.9**	-9.1	**-31.1**	-23.1
Result before tax, EUR mill.	**2.6**	23.2	**-179.5**	5.2
Result for the period, EUR mill.	**-12.2**	20.9	**-198.1**	-7.5
Earnings per share, undiluted and diluted, EUR	**-0.19**	0.27	**-2.82**	-0.18
Personnel, average	**7 329**	7 660	**7 360**	8 164

Continuing and discontinued operations**	10–12/2017	10–12/2016	1–12/2017	1–12/2016
Net earnings per share, undiluted and diluted, EUR	**-0.20**	0.36	**-2.98**	-0.12
Cash flow from operating activities, EUR mill.	**85.7**	96.1	**25.9**	41.5
Capital expenditure, EUR mill.	**10.5**	14.7	**34.7**	44.2
Equity per share, EUR			**12.29**	14.99
Net gearing, %			**83.8**	68.3
Equity ratio, %			**43.0**	48.3
Number of shares, undiluted and diluted, weighted average, 1 000 pc			**72 049**	72 049
Return on capital employed, rolling 12 months, %			**-9.1**	1.8

* Includes in 2017 a write-off of EUR 3.8 million related to Stockmann's investment in Tuko Logistics Cooperative (Q2 2017), EUR 2.0 million related to Seppälä (Q3 2017) and EUR 1.5 million related to Hobby Hall (Q4 2017) and in 2016, a write-off of EUR 5.0 million related to Seppälä (Q4 2016).
** Discontinued operations include department store operations in Russia (Q1 2016), and Stockmann Delicatessen food operations in Finland (Q1 2016-Q4 2017).

Items affecting comparability

EUR million	10–12/2017	Restated 10–12/2016	1–12/2017	Restated 1–12/2016
Adjusted EBITDA	**39.8**	50.1	**73.2**	88.2
Adjustments to EBITDA				
Onerous contracts related to restructuring	**-6.9**		**-6.9**	
Lindex's restructuring arrangements	**-2.7**		**-2.7**	
Fair value gains and losses on investment properties	**4.0**		**4.0**	
ICT outsourcing		-2.6		-2.6
Adjustments total	**-5.6**	-2.6	**-5.6**	-2.6
EBITDA	**34.1**	47.5	**67.6**	85.6

EUR million	10–12/2017	Restated 10–12/2016	1–12/2017	Restated 1–12/2016
Adjusted operating result (EBIT)	**24.2**	34.9	**12.3**	30.9
Adjustments to EBIT				
Lindex goodwill impairment			**-150.0**	
Write-down of ICT investments related to restructuring	**-5.0**		**-5.0**	
Onerous contracts related to restructuring	**-6.9**		**-6.9**	
Lindex's restructuring arrangements	**-2.7**		**-2.7**	
Fair value gains and losses on investment properties	**4.0**		**4.0**	
ICT outsourcing		-2.6		-2.6
Adjustments total	**-10.6**	-2.6	**-160.6**	-2.6
Operating result (EBIT)	**13.6**	32.3	**-148.4**	28.3

Stockmann uses Alternative Performance Measures according to the guidelines of the European Securities and Market Authority (ESMA) to better reflect the operational business performance and to facilitate comparisons between financial periods. Gross profit is calculated by deducting the costs of goods sold from the revenue, and gross margin is calculated by dividing gross profit by the revenue as a percentage. EBITDA is calculated from the operating result excluding depreciation, amortisation and impairment losses. Adjusted EBITDA and adjusted operating result (EBIT) are measures which exclude non-recurring items and other adjustments affecting comparability from the reported EBITDA and reported operating result (EBIT). Stockmann also uses the term "revenue in comparable businesses" which refers to revenue excluding Hobby Hall, which was divested on 31 December 2016, the Oulu department store, which was closed on 31 January 2017, and the Lindex stores in Russia, which were closed in 2016. See further information in the notes to the financial statements.

STRATEGY

The Stockmann Group is focusing on developing retail operations and real estate business in its department store properties in Finland and the Baltic countries, in Lindex fashion stores in 18 countries, and e-commerce in Stockmann and Lindex online stores. An investigation process related to a possible divestment of the Nevsky Centre shopping centre in St Petersburg was ongoing in 2017.

In line with its strategy, Stockmann has withdrawn from unprofitable business operations and merchandise areas. The divestment of the Delicatessen food business in Finland was completed on 31 December 2017. The transaction included all Stockmann Delicatessen business operations and personnel in Finland, and the transaction price was EUR 27 million. See further information in the notes to the financial statements bulletin. After the divestment Stockmann Retail will mainly focus on fashion, beauty and home products in its own selection. The Delicatessen operations in the Baltic countries will remain with Stockmann.

In June, Stockmann signed an expanded licensing agreement with Reviva Holding Limited's subsidiary AO Stockmann concerning the use of the Stockmann brand in Russia from 2018 until 2023. Reviva has been responsible for the Stockmann department stores' operations in Russia since 1 February 2016.

The new department store in Tapiola, Finland was opened in March 2017. The department store operates in rental premises and under a totally new concept. Many initiatives to improve the customer experience were implemented in stores during the year. Digital solutions were further developed and a whole range of new experiences and services were introduced in the department stores, such as mobile payment solutions.

EVENTS AFTER THE REPORTING PERIOD

On 2 January 2018, Stockmann announced that it is investigating a possible divestment of its Book House property. The Stockmann-owned Book House property in Helsinki city centre is now entirely in external partners' use, after Stockmann Delicatessen's business operations were transferred to S Group on 31 December 2017.

On 10 January 2018, Susanne Ehnbåge, M.Sc.(Econ.), born 1979, was appointed CEO of Lindex. She will start in this position at the latest in August 2018. Susanne Ehnbåge currently works as the CEO of the NetOnNet Group, a Scandinavian home electronics retailer. Susanne Ehnbåge will report to Lauri Veijalainen, Lindex Chairman of the Board and Stockmann's CEO, and she will also be a member of the Stockmann Management Team. Elisabeth Peregi, currently the interim CEO of Lindex, will continue acting as the interim CEO until Susanne Ehnbåge starts in her position.

On 23 January 2018, Stockmann announced that the company is continuing its efficiency measures with a target of annual cost savings of EUR 8 million at a minimum, to be implemented mainly by the end of 2018. A provision of approximately EUR 2 million will be recognised due to restructuring in the first quarter.

On 31 January 2018, the Shareholders' Nomination Board gave its proposals to the Annual General Meeting, which will be held on 22 March 2018. The shareholders' Nomination Board proposes that the present members of the Board of Directors, Kaj-Gustaf Bergh, Jukka Hienonen, Esa Lager, Leena Niemistö, Michael Rosenlew and Dag Wallgren be re-elected for the term of office continuing until the end of the next Annual General Meeting. In addition, the Nomination Board proposes that Eva Hamilton and Tracy Stone be elected as new Board members for the term of office stated above. Hamilton and Stone have been members of Lindex Board since 2014. The Nomination Board also presented its remuneration proposal of the Board of Directors to the Annual General Meeting.

MARKET ENVIRONMENT

The general economic situation has recovered in Finland, and consumer confidence continued to improve in 2017. In Stockmann's largest product area, fashion, the market in Finland in January-December was down by 1.7%. In 2016, the decrease was also 1.7% (source: Textile and Fashion Suppliers and Retailers in Finland, TMA).

In Sweden, the general economic situation has improved, but the fashion market was down by 2.6% in January-December, compared with an increase of 0.2% in the previous year (source: Swedish Trade Federation, Stilindex).

The retail market in the Baltic countries continued its growth, by approximately 1.5% in Estonia (source: Statistic Estonia) and by approximately 4.2% in Latvia (source: Latvia Central Statistical Bureau).

REVENUE AND EARNINGS IN CONTINUING OPERATIONS

October-December 2017

The Stockmann Group's fourth-quarter revenue was EUR 315.7 million (348.0). The comparison figure for 2016 includes revenue from the closed and divested units (Hobby Hall and the Oulu department store). Revenue in comparable businesses was on a par with the previous year.

The revenue in Finland was EUR 129.7 million (161.1). Revenue in comparable businesses was on a par with the previous year. Revenue in other countries was down by 0.5%, to EUR 186.0 million (186.9).

The gross profit amounted to EUR 179.3 million (194.3) and the gross margin was 56.8% (55.8). The gross margin was up in Stockmann Retail but down in Lindex.

Adjusted operating costs were down by EUR 4.7 million, and amounted to EUR 139.4 million (144.1). Adjustments booked in operating costs were EUR 9.6 million (2.6) in total.

The Group's adjusted EBITDA was EUR 39.8 million (50.1). Depreciation, which includes an ICT write-down of EUR 5.0 million, was EUR 20.6 million (15.2).

The adjusted operating result for the quarter was EUR 24.2 million (34.9). The operating result increased in Real Estate, while Stockmann Retail's and Lindex's operating result decreased. Reported operating profit was EUR 13.6 million (32.3).

January-December 2017

The Stockmann Group's revenue for the year was EUR 1 055.9 million (1 175.7). The comparison figure for 2016 includes revenue from closed and divested units. Revenue in comparable businesses was down by 1.5 %.

The revenue in Finland was EUR 402.6 million (504.4). Revenue in comparable businesses was up by 0.3%. Revenue in other countries was EUR 653.3 million (671.3), down by 2.5% in comparable businesses.

The gross profit amounted to EUR 588.8 million (655.4) and the gross margin was 55.8% (55.7). The gross margin was up in Stockmann Retail but down in Lindex.

Adjusted operating costs were down by EUR 52.8 million and amounted to EUR 515.3 million (568.1). Costs declined due to efficiency measures initiated in 2016 and the divestment of Hobby Hall. Adjustments booked in operating costs were EUR 9.6 million (2.6).

The Group's adjusted EBITDA was EUR 73.2 million (88.2). Depreciation, excluding the adjustments related to impairment of goodwill (EUR 150 million) and write-down of ICT investments (EUR 5 million), was EUR 60.9 million (57.3).

The adjusted operating result for the year was EUR 12.3 million (30.9). The operating result increased in Stockmann Retail and Real Estate, while Lindex's operating result decreased.

Adjustments were EUR 160.6 million in total and include an impairment charge of EUR 150 million related to Lindex's goodwill. The reported operating result for the year was EUR -148.4 million (28.3).

Net financial expenses were EUR 31.1 million (23.1). The expenses include write-offs of EUR 3.8 million related to Stockmann's investment in Tuko Logistics Cooperative, EUR 2 million related to Seppälä and EUR 1.5 million related to Hobby Hall (2016: write-off of EUR 5 million related to Seppälä). Foreign exchange losses amounted to EUR 2.6 million (1.2). Financial expenses grew mainly due to refinancing expenses in the last quarter of the year. The result before taxes was EUR -179.5 million (5.2).

Taxes for the year totalled EUR 18.7 million (12.7), including adjustments recognised relating to fair value changes of real estate holdings. In line with the Board of Adjustment's decision on Stockmann's claim for rectification relating to the Finnish Tax Administration's decision on additional taxes, Stockmann returned EUR 7.7 million to its third quarter income statement in 2017. The decision was related to a tax audit which examined transfer pricing and the market basis of interest rates in the Stockmann Group's internal financing between Finland and Russia during 2009-2011.

The adjusted result for the year was EUR -37.5 million and the result for the year was EUR -198.1 million (-7.5). The net result for the year, including discontinued operations, was EUR -209.4 million (-3.2).

Adjusted earnings per share for the year were EUR -0.59 (-0.14). Earnings per share for the year were EUR -2.82, or EUR -2.98 including discontinued operations (-0.18, or -0.12 including discontinued operations). Equity per share was EUR 12.29 (14.99).

FINANCING AND CAPITAL EMPLOYED

Stockmann refinanced its long-term credit facilities in November 2017. New loans were agreed on with six banks, and the loans will expire in 2018-2019 and 2021. Stockmann also has new secured senior bonds to a value of EUR 250 million that will mature in January 2022. The EUR 150 million bond maturing in March 2018 was early redeemed in December 2017.

Cash flow from operating activities came to EUR 85.7 million (96.1) in the fourth quarter and EUR 25.9 million (41.5) in January-December. Cash and cash equivalents at the end of the year totalled EUR 21.0 million (20.2).

Comparable inventories were below the previous year's level. Total inventories were EUR 162.2 million, compared with EUR 180.7 million a year earlier when the comparison figure included also the Delicatessen food inventories in Finland.

Interest-bearing liabilities at the end of December were EUR 763.6 million (761.8), of which long-term debt amounted to EUR 505.2 million (525.3). Part of the short-term debt has been raised in the commercial paper market. In addition, the Group has undrawn, long-term committed credit facilities of EUR 224.6 million and uncommitted, short-term credit facilities of EUR 464.0 million. Stockmann also has a EUR 84.3 million hybrid bond which is treated as equity.

The equity ratio at the end of December was 43.0% (48.3), and net gearing was 83.8% (68.3).

The Group's capital employed at the end of December was EUR 1 648.7 million (1 842.0). The return on capital employed over the past 12 months was -9.1% (1.8).

DISTRIBUTION OF FUNDS

Decisions by the 2017 Annual General Meeting were published in a stock exchange release on 23 March 2017. In accordance with a resolution of the meeting, no dividend was paid for the financial year 2016.

The Board of Directors will propose to the Annual General Meeting, to be held on 22 March 2018, that no distribution of funds is to be made for the 2017 financial year. The net loss for the financial year 2017 will be carried over in the retained earnings.

CAPITAL EXPENDITURE

Capital expenditure totalled EUR 10.5 million (14.7) in the fourth quarter and EUR 34.7 million (44.2) in January-December. Most of the capital expenditure in the fourth quarter was used for Lindex store refurbishments and digitalisation. For the full year, capital expenditure was used for Lindex store refurbishments, the new Tapiola department store, and digitalisation projects in both Stockmann Retail and Lindex. Depreciation was EUR 65.9 million (57.3), including a write-down related to ICT systems of EUR 5.0 million.

REVENUE AND EARNINGS BY DIVISION

Stockmann's divisions and reportable segments are Lindex, Stockmann Retail and Real Estate. Stockmann Retail includes non-food department store operations in Finland and non-food and food operations in the Baltic countries.

LINDEX

Lindex	10–12/2017	10–12/2016	1–12/2017	1–9/2016
Revenue, EUR mill.	**169.6**	171.3	**606.0**	633.2
Gross margin, %	**61.9**	65.2	**60.1**	63.8
Operating result, EUR mill.	**10.0**	19.6	**13.4**	54.9
Capital expenditure, EUR mill.	**7.4**	5.6	**22.6**	17.7

October-December 2017

Lindex's revenue for the quarter was down by 1.0%, to EUR 169.6 million (171.3). In comparable stores revenue at comparable exchange rates was down by 1.2%. Comparable sales decreased in the Nordic countries and Poland, whereas sales increased in the other markets and in the online store.

The gross margin for the quarter was 61.9% (65.2). The gross margin was down mostly due to redefined treatment of inventory obsolescence, which had a positive impact on the 2016 comparison figure, and higher markdowns.

Operating costs were up by EUR 2.6 million, due to a provision of EUR 2.7 million related to the organizational restructuring measures.

Adjusted operating profit for the quarter was EUR 12.7 million and reported operating profit was EUR 10.0 million (19.6), as a result of lower sales and gross margin compared with the previous year.

January-December 2017

Lindex's revenue for the year was down by 4.3%, to EUR 606.0 million (633.2), or, excluding Russian stores, down by 4.1%. In comparable stores, revenue at comparable exchange rates was down by 2.7%.

The gross margin for the year was 60.1% (63.8). The gross margin was down mostly due to higher markdowns. Redefined treatment of inventory obsolescence had a positive impact on the 2016 comparison figure.

Operating costs were up by EUR 0.9 million. The profitability improvement programme launched in October 2017 aims to reduce fixed costs by over EUR 10 million annually, to be reached by the end of 2018. Increasing the gross margin is also a part of the profitability improvement programme.

Adjusted operating profit for the year was EUR 16.1 million and reported operating profit was EUR 13.4 million (54.9).

Store network

Lindex opened 10 stores and closed 2 stores during the fourth quarter. In 2017, 24 stores were opened and 9 stores were closed. In 2018, Lindex will mainly focus on optimising its store locations. Unprofitable stores will either move to new locations or close down. New store openings in attractive locations and with new formats will be launched. The total number of stores is estimated to somewhat decrease during 2018.

Lindex store network	Total 31.12.2016	Total 30.9.2017	Closed stores 10–12/2017	New stores 10–12/2017	**Total 31.12.2017**
Finland	58	58	0	2	**60**
Sweden	209	210	0	0	**210**
Norway	102	100	1	0	**99**
Estonia	10	10	0	0	**10**
Latvia	9	9	0	1	**10**
Lithuania	8	8	0	1	**9**
Czech Republic	25	27	0	2	**29**
Slovakia	9	10	0	2	**12**
Poland	4	3	0	0	**3**
UK	2	2	0	0	**2**
Iceland*	4	6	0	1	**7**
Bosnia and Herzegovina*	7	7	0	0	**7**
Serbia*	3	5	0	0	**5**
Kosovo*	2	2	0	0	**2**
Albania*	1	1	0	0	**1**
Saudi Arabia*	22	22	1	0	**21**
Qatar*	0	1	0	1	**2**
Tunisia*	0	1	0	0	**1**
Total	**475**	**482**	**2**	**10**	**490**
Own stores	436	437	1	8	**444**
Franchising stores (*)	39	45	1	2	**46**

STOCKMANN RETAIL

Stockmann Retail	10–12/2017	Restated 10–12/2016	1–12/2017	Restated 1–12/2016
Revenue, EUR mill.	**136.2**	167.1	**410.2**	508.3
Gross margin, %	**47.3**	43.8	**45.2**	41.4
Operating result, EUR mill.	**7.5**	12.5	**−20.6**	−39.1
Operating result, excluding Hobby Hall, EUR mill.	**7.5**	11.5	**−20.6**	−34.0
Capital expenditure, EUR mill.	**1.2**	7.8	**5.7**	21.2

October-December 2017

Stockmann Retail's revenue for the quarter was EUR 136.2 million (167.1). The comparison figure also includes the revenue of the closed and divested units (Hobby Hall, Oulu department store). Revenue in comparable businesses was up by 0.4%.

Revenue in Finland was EUR 106.8 million (138.5). Revenue in comparable businesses was down by 0.2% compared with the previous year. The fourth quarter was challenging in Finland, but the Crazy Days campaign in October was successful and the online store generated a good growth. Revenue from international operations was up by 2.6%, to EUR 29.4 million (28.6). Revenue grew in both the Tallinn and Riga department stores especially in the fashion and food product areas.

The gross margin for the quarter was 47.3% (45.6, or 43.8 including Hobby Hall). The gross margin improved mainly in fashion.

Operating costs excluding Hobby Hall were up by EUR 1.7 million. Operating costs amounted to EUR 53.0 million (51.3, or 57.4 including Hobby Hall) due to increased costs in support functions.

EBITDA was EUR 11.4 million (14.6, or 15.7 including Hobby Hall).

The operating result for the quarter was EUR 7.5 million (11.5, or 12.5 including Hobby Hall).

January-December 2017

Stockmann Retail's revenue for the year was EUR 410.2 million (508.3). Revenue in comparable businesses was up by 1.2%. The best growth was achieved in fashion.

Revenue in Finland was EUR 319.6 million (420.8). Revenue in comparable businesses was up by 0.5%. Revenue from international operations was up by 3.5%, to EUR 90.6 million (87.5) with growth both in the Tallinn and Riga department stores.

The gross margin for the year was 45.2% (43.2, or 41.4 including Hobby Hall). The gross margin improved mainly in fashion.

Operating costs excluding Hobby Hall were down by EUR 17.1 million. The operating costs amounted to EUR 191.1 million (208.2, or 236.7 including Hobby Hall). Costs declined due to efficiency measures initiated in 2016.

EBITDA was EUR -5.7 million (-21.3, or -26.2 including Hobby Hall).

The operating result for the year was EUR -20.6 million (-34.0, or -39.1 including Hobby Hall).

REAL ESTATE

Real Estate	10–12/2017	10–12/2016	1–12/2017	1–12/2016
Revenue, EUR mill.	**16.8**	15.7	**67.1**	60.1
Net operating income, Stockmann-owned properties, EUR mill.	**12.2**	11.1	**50.6**	44.4
Operating result, EUR mill.	**9.8**	4.6	**29.0**	21.1
Capital expenditure, EUR mill.	**1.4**	1.3	**4.9**	5.3

October-December 2017

Real Estate's revenue for the quarter was EUR 16.8 million (15.7). The main reason for the increase was higher rental income from the Nevsky shopping centre.

The net operating income of the Stockmann-owned properties was EUR 12.2 million (11.1). The average monthly rent from these properties was EUR 37.05 per square metre (32.86).

Operating costs were slightly lower than in the previous year.

The operating profit for the quarter was EUR 9.8 million (4.6). Operating profit includes a fair value gain on the investment properties of EUR 4.0 million.

January-December 2017

Real Estate's revenue for the year was EUR 67.1 million (60.1). The increase was due to higher rent levels and the strengthened Russian rouble.

The net operating income of the Stockmann-owned properties was EUR 50.6 million (44.4). The average monthly rent from these properties was EUR 37.11 per square metre (33.36). The net rental yield for the year was 5.4% (4.9).

Operating costs for the year increased, mostly due to changes in Russian operations.

The operating profit for the year was EUR 29.0 million (21.1), including a fair value gain on the investment properties of EUR 4.0 million.

Properties

The five properties owned by Stockmann have a gross leasable area (GLA) of 142 000 m2 in total. On 1 January 2018, Stockmann Retail was using 46% of the total GLA. Excluding the Nevsky Centre and the Book House, 75% was being used by Stockmann Retail. The occupancy rate of the properties remained at a high level, at 99.7% (99.1).

During 2017, several new partners started operations in Stockmann's department stores. The Solaris sunglasses shop, Mumin Kaffe, AT Lastenturva baby equipment store and XS Toys opened in the Helsinki flagship store. New summer restaurant terraces opened on the roofs of the department stores in Helsinki and Tallinn. Cushman & Wakefield started as an office tenant and Technopolis expanded its UMA Esplanadi in the Book House. Instrumentarium and Solaris opened an opticians and sunglasses store in Itis. Robert's Coffee, Kukkakaari flower shop and Shortcut hair salon opened in the Tapiola department store. Westerback opened jewellery and watch shops in Tapiola and Turku. Yliopiston Apteekki opened an express pharmacy store, Teenuspunkt opened an extended shoemaker service point and Truman a barber shop in the Tallinn department store.

On 1 January 2017, the fair value of Stockmann's properties amounted to EUR 950.1 million, of which the Nevsky Centre's value was EUR 181.0 million. The weighted average market yield requirement used in the fair value calculation was 5.6% (5.7).

During the year, the depreciation of department store properties was deducted from the fair value. The Nevsky Centre, which is being treated as an asset held for sale as of 31 March 2017, has not been depreciated. Since Stockmann is no longer practising retail business in the Book House property, it was reclassified as an investment property in the company's balance sheet on 31 December 2017.

The properties were revalued on 31 December 2017 and their fair value amounted to EUR 973.0 million, of which the value of Book House in Helsinki was EUR 100.0 million and the value of Nevsky Centre in St Petersburg was EUR 181.0 million. Investigations related to possible divestments of the Nevsky Centre and the Book House continue.

Property	Gross leasable area, m2 31.12.2017	Occupancy rate, % 31.12.2017	Usage by Stockmann Retail, % 1.1.2018
Helsinki flagship building	51 000	99.8	67
Tallinn department store building	22 000	100.0	84
Riga department store building	15 000	100.0	86
Total, Stockmann-owned department store properties	**88 000**	**99.9**	**75**
Book House, Helsinki	9 000	100.0	2
Nevsky Centre, St. Petersburg	46 000	99.3	0
Total, all Stockmann-owned properties	**142 000**	**99.7**	**46**

CHANGES IN MANAGEMENT

Kai Laitinen (born 1970), M.Sc. (Business Administration), was appointed Stockmann's Chief Financial Officer and as a member of the Management Team on 15 February 2017. Kai Laitinen joined Stockmann in August 2017.

Ingvar Larsson, CEO of Lindex, resigned from his post in August 2017. Elisabeth Peregi (born 1971), M.Sc. (Econ.), Country Manager of Lindex Sweden, was appointed the interim CEO of Lindex. At the same time, the CEO of Stockmann, Lauri Veijalainen, started as the Chairman of the Board of Directors at Lindex.

Nora Malin (born 1975), M.Sc. (Pol.), was appointed Stockmann's Director, Corporate Development as of 20 December 2017. She earlier worked as the Group's Director, Corporate Communications. Nora Malin continues as a member of the Stockmann Management Team.

Susanna Ottila, Director, Delicatessen, resigned from the Stockmann Management Team as of 31 December 2017, when the divestment of Delicatessen food business in Finland was completed.

SHARES AND SHARE CAPITAL

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

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

The share capital remained at EUR 144.1 million during the year. The market capitalisation was EUR 321.0 million (509.6) at the end of the December.

The price of a Series A share was EUR 4.60 at the end of the year, compared with 7.09 EUR at the end of 2016, while the price of a Series B share was EUR 4.35, compared with EUR 7.06 at the end of 2016.

A total of 2.0 million (2.8) Series A shares and 13.7 million (12.2) Series B shares were traded during the year on Nasdaq Helsinki. This corresponds to 6.5% (9.1) of the average number of Series A shares and 32.9% (29.5) of the average number of Series B shares.

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

Stockmann was on 11 August 2017 notified of a change in the indirect ownership of shares, where Hartwall Capital Oy Ab (business identity code 0711984-8) had acquired control in HTT STC Holding Oy Ab. The number of Stockmann shares owned by HTT STC Holding remained unchanged.

At the end of the year, Stockmann had 46 672 shareholders, compared with 49 813 a year earlier.

NON-FINANCIAL INFORMATION

Commitment to responsible operations is incorporated in Stockmann's values and daily operations. According to the Group Corporate Social Responsibility (CSR) strategy, Stockmann targets to offer customers responsible shopping experiences and commits to working for a more sustainable future. The responsibility goals, which are defined in the CSR strategy, have been set to support the Group strategy and business operations by enhancing customer focus and improving efficiency. The CSR work focuses on five key themes, Customer, Personnel, Products & Supply Chain, Environment and Finance & Governance, which have been identified through materiality analysis and stakeholder dialogue.

The Group's Code of Conduct (CoC), complemented with further policies, define the ways of working for all employees and management staff without exception. The principles of the Code of Conduct also apply to suppliers and partners, and effort is put into communicating the principles to them. The Code of Conduct covers compliance with legislation and ethical operations, free competition and consumer rights, employees and working conditions, environment, and corruption and conflicts of interest. Stockmann respects and promotes all human rights, as described in the Human Rights policy. The most significant risks related to human rights can be found in the supply chain and are related to working conditions.

Stockmann's policies relating to anti-corruption and anti-competitive behaviour are included in the Stockmann Code of Conduct and further specified in the anti-corruption policy. Stockmann's whistleblowing channel is a tool for the Group's own employees, business partners and other stakeholders to report suspected or detected violations of the Stockmann Code of Conduct or other corporate policies. Unethical business practices among Stockmann's employees or various stakeholders could cause reputational damage for Stockmann as well as a possible financial impact. During the year, Stockmann was not informed of any corruption-related lawsuits against the Group. There were no legal actions or fines for anti-competitive behaviour, anti-trust, or monopoly practices or their outcomes in 2017. At the end of 2017, 30% of all Stockmann staff in Finland had completed the Code of Conduct training. Of the members in the Stockmann support function and department store management teams, 94% had completed the training.

Customers

Stockmann builds ongoing dialogue to maintain and raise customer satisfaction. Efforts to improve customer dialogue include customer surveys, net promoter score (NPS) and brand tracking, engagement in social media and other feedback channels, to better understand customer needs and expectations. To inspire its customers, Stockmann actively shares information about its CSR work and sustainable choices in its selection, and engages in CSR and charity projects on a regular basis. Stockmann complies with valid competition and privacy legislations in its operations and promotes free competition in its sector. In 2017, there were zero incidents of breaches of customer privacy.

Personnel

The Stockmann Group's Human Resources (HR) policies are based on the company's values, HR strategy and Code of Conduct, on top of which the divisions have their own more detailed HR guidelines that support the success of individuals and the wellbeing of the personnel. The implementation of good HR policies is monitored through personnel surveys, performance appraisal discussions and other feedback channels. Cooperation also takes place in local personnel committees and the Group Employee Council. A failure by Stockmann to recruit, motivate and retain highly skilled staff at every level of its organisation could have a material adverse effect on Stockmann's business.

The Group's average number of personnel in continuing operations was 7 360 (8 164) in 2017. In terms of full-time equivalents, the average number of employees was 5 486 (5 960).The decline was due to personnel reductions mostly in Stockmann Retail's shared support functions, and the divestment of Hobby Hall. In addition, 731 employees on average worked in the Stockmann Delicatessen operations in Finland, which are reported as discontinued operations.

At the end of the year, the Group had 7 325 employees (7 572), of whom 2 212 (2 563) were working in Finland. The number of employees working outside Finland was 5 113 (5 009), which represented 69.8% (66.2) of the total. Stockmann Retail employed 2 327 people (2 712), Real Estate 113 (85) and Lindex 4 596 (4 427), while 154 people (216) were employed in the Group's shared services in Finland and 135 (132) in production offices in Asia.

The Group's wages and salaries amounted to EUR 183.6 million in 2017, compared with EUR 207.1 million in 2016 and EUR 251.6 million in 2015 (including employees of the Delicatessen food business in Finland). The total employee benefits expenses were EUR 236.2 million (270.4), which is equivalent to 22.4% (23.0) of revenue.

Among the Stockmann Group's employees, women represented 91% (90) and men 9% (10). 82% (83) were permanent employees, whereas 18% (17) had fixed-term employment contracts. The Group's personnel turnover was 19% (21). In Finland, the turnover rate was 17% and in Sweden 6%.

Products & Supply chain

Stockmann offers a wide selection of safe and lasting quality products. In the Stockmann department stores, the major part of merchandise is made up of international brand products, complemented with a wide selection of own brand products in fashion and home areas, which are designed by Stockmann's own designers. At Lindex this applies to the majority of the products. Around 93% of own brand products are produced in risk countries as defined by amfori BSCI, mainly in China and Bangladesh. During the year, there was one public product recall: a children's sock in Lindex selection, due to non-compliance with the Group's chemical requirements.

The Group's own brand suppliers and producers are required to comply with the Supplier Code of Conduct (CoC), which is based on the amfori BSCI Code of Conduct that sets out 11 core labour rights which are to be incorporated in a step-by-step development approach. All Stockmann Group's garment producers for own brands have signed the Stockmann's Supplier CoC, amfori BSCI CoC or another similar commitment. The Group has purchase offices with local personnel in six main production locations to oversee production quality and compliance with the Code of Conduct, and producers in risk countries are also subject to amfori BSCI audits. The identified main risks concern management systems, documentation, trade union affiliation, wages and compensation, and working hours.

To improve traceability and reduce the environmental impact of its products, Stockmann aims to increase the use of sustainable materials in its own brand garments. 54% (50) of the Lindex assortment was made from more sustainable materials in 2017 and approximately 95% (90) of all Lindex cotton was more sustainable, such as organic and Better Cotton. During 2017, Lindex launched an upcycled denim collection that was repurposed and made of unsold garments, a step towards closing the material loop. In 2017 Lindex produced in total approximately 33 million garments made from more sustainable materials. Sustainable materials were launched in Stockmann's own brand garments in 2016, and 10% of these products were made of sustainable materials in 2017. New and updated product tags that provide information about the use of sustainable materials and Stockmann's own design work were introduced in 2017 to promote sustainable products in the selection.

Stockmann publishes a comprehensive list of suppliers and factories for fashion own brand garments on the company website, which is updated annually.

Environment

Stockmann's objective is to reduce the environmental impact of its business operations and prevent adverse effects by cutting emissions, increasing the efficiency of energy and water consumption and carrying out waste sorting and recycling. To ensure continuous improvement, Stockmann monitors compliance with the Group's environmental systems and progress towards set environmental goals and objectives. Environmental work at Stockmann is based on the CSR strategy and on the environmental policy. The divisions independently set specific environmental targets, define indicators for monitoring the achievement of these targets and establish appropriate management practices. Stockmann's operations in Finland are certified with ISO 14001 environmental management system. The same operating methods have been adopted in the department stores in the Baltic countries. Environmental risks related to Stockmann's own business operations are not estimated to be material.

The Stockmann Group's waste recycling rate was 72.7% (73.6). The rate varies according to activity and location. In Finland it was 70.4% (71.7), in the Baltics 43.5% (47.7) and in Sweden in the Lindex logistics centre 96.9% (97.8). The Group's greenhouse gas emissions in 2017 were 61 870 (62 670) tCO2. The highest emissions, around 75%, came from the generation of purchased energy, especially electricity, which remained on the same level as the previous year. Stockmann reports on its CO2 emissions annually in the Group's CSR Review and in the international Climate Change Disclosure (CDP) survey. Water consumption in Stockmann's own operations is minimal and these operations take place in areas where there is currently no scarcity of water.

Environmental impacts are looked at over the product lifecycle. In retail, environmental impact comes largely from production and the use of the sold goods. Lindex develops production methods that save water, energy and chemicals, together with its suppliers, for example in denim production. To tackle product end-of-life, Stockmann and Lindex enable customers to recycle their used clothes, with the help of partnerships.

Further information on Stockmann's CSR activities and results is published in Stockmann's CSR Review, which will be published in the week starting 26 February 2018 at year2017.stockmanngroup.com. The CSR Review is reported according to the Global Reporting Initiative (GRI).

RISK FACTORS

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

The general economic situation affects consumers' purchasing behaviour and purchasing power in all of the Group's market areas. Consumers' purchasing behaviour is also influenced by digitalisation, increasing competition and changing purchasing trends. Rapid and unexpected movements in markets may influence the behaviour of both the financial markets and consumers. Uncertainties related to changes in purchasing behaviour are considered to be the principal risk from the operating environment that could affect Stockmann during 2018.

The operating environment may also affect the operations of Stockmann's tenants and consequently may have a negative impact on rental income and the occupancy rate of Stockmann's properties. These, particularly if related to the biggest tenants of the properties, may have an effect on the fair value of the real estate.

Fashion accounts for over two thirds of the Group's revenue. An inherent feature of the fashion trade is the short lifecycle of products and their dependence on trends, the seasonality of sales and the susceptibility to abnormal changes in weather conditions. These factors may have an impact on the Group's revenue and gross margin. In the retail sector, the products' value chain from raw material to customers often contains many stages and involves reputation risks related to the fulfilment of human rights, good working conditions, environmental and other requirements set in Stockmann's Code of Conduct and other policies. Responsible management of the supply chain and sustainable use of natural resources are important for the Group's brands in order to retain customer confidence in Stockmann.

The Group's operations are based on flexible logistics and efficient flows of goods and information. Delays and disturbances in logistic and information systems as well as uncertainties related to the logistics partners can have an adverse effect on operations. Every effort is made to manage these operational risks by developing appropriate back-up systems and alternative ways of operating, and by seeking to minimise disturbances to information systems. Operational risks are also met by taking out insurance cover.

The Group's revenue, earnings and balance sheet are affected by changes in exchange rates between the Group's reporting currency, which is the euro, and the Swedish krona, the Norwegian krone, the US dollar, the Russian rouble and certain other currencies. Currency fluctuations may have an effect on the Group's business operations. Financial risks, mainly risks arising from interest rate fluctuations due to the Group's high level of debt and hence high interest costs, may have an effect on the financial costs and the financial position. Interest rate fluctuations may also impact the goodwill and the valuation related to the properties owned by the Group, and thus to the fair value of these assets. Financial risks are managed in accordance with the risk policy confirmed by the Board of Directors.

OUTLOOK FOR 2018

In the Stockmann Group's largest operating countries, Finland and Sweden, the general economic situations have improved and according to forecasts by the national central banks, the GDP growth is expected to continue in 2018. Also consumer confidence is estimated to continue its positive development.

However, purchasing behaviour is changing due to digitalisation and increasing competition. This is reflected in the outlook for the fashion market, which according to Stockmann's management estimate is not increasing as rapidly as the economy in general.

In the Baltic countries, the outlook for the retail trade is, according to the management estimate, expected to be better than that for the Stockmann Group's other market areas.

Stockmann will continue improving the Group's long-term competitiveness and profitability. The efficiency measures launched in Lindex at the end of 2017 and at Stockmann in the beginning of 2018 will be mostly implemented during the spring and they will be fully visible in the 2019 operating costs. As the efficiency measures will not bring significant cost savings during the first quarter of 2018, the Group's operating result in the first quarter is not likely to improve from the previous year's level.

As a result of the profitability improvement programme, Lindex's operating profit for the full year is expected to increase from 2017. The Stockmann Retail division, which is still loss-making, is targeting to achieve a positive adjusted operating result in 2018. Real Estate is expected to continue its stable profitable performance.

Capital expenditure for 2018 is estimated to be approximately EUR 40-45 million, which is less than the estimated depreciation for the year.

GUIDANCE FOR 2018

Stockmann expects the Group's revenue for 2018 to be on a par with the previous year. Adjusted operating profit is expected to improve in 2018.

CORPORATE GOVERNANCE STATEMENT

Stockmann will publish a separate Corporate Governance Statement for 2017 in line with the recommendation by the Finnish Corporate Governance Code. The statement will be published during the week starting 26 February 2018 (week 9).

Helsinki, Finland, 13 February 2018

STOCKMANN plc
Board of Directors

CONDENSED FINANCIAL STATEMENTS AND NOTES

This Finanical Statements Bulletin has been prepared in compliance with IAS 34. The accounting policies and calculation methods applied are the same as those in the 2016 financial statements. Stockmann Delicatessen food operations in Finland have been classified as assets held for sale and reported as discontinued operations in 2017. The comparison figures for continuing operations in the income statement in 2016 and related items are restated accordingly. The figures are audited.

CONSOLIDATED INCOME STATEMENT

EUR mill.	1.1.–31.12.2017	Restated 1.1.–31.12.2016
Continuing operations		
REVENUE	**1 055.9**	1 175.7
Other operating income	**0.0**	1.2
Fair value changes on investment properties	**3.7**	−0.3
Materials and consumables	**−467.1**	−520.4
Wages, salaries and employee benefit expenses	**−236.2**	−270.4
Depreciation, amortisation and impairment losses	**−215.9**	−57.3
Other operating expenses	**−288.8**	−300.3
Total expenses	**−1 208.0**	−1 148.4
OPERATING PROFIT/LOSS	**−148.4**	28.3
Financial income	**0.7**	0.8
Financial expenses	**−31.8**	−23.9
Total financial income and expenses	**−31.1**	−23.1
PROFIT/LOSS BEFORE TAX	**−179.5**	5.2
Income taxes	**−18.7**	−12.7
PROFIT/LOSS FROM CONTINUING OPERATIONS	**−198.1**	−7.5
Profit/loss from discontinued operations	**−11.3**	4.3
NET PROFIT/LOSS FOR THE PERIOD	**−209.4**	−3.2
Profit/loss for the period attributable to:		
Equity holders of the parent company	**−209.4**	−3.2
Earnings per share, EUR:		
From continuing operations (undiluted and diluted)	**−2.82**	−0.18
From discontinued operations (undiluted and diluted)	**−0.16**	0.06
From the period result (undiluted and diluted)	**−2.98**	−0.12

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR mill.	1.1.–31.12.2017	1.1.–31.12.2016
PROFIT/LOSS FOR THE PERIOD	**−209.4**	−3.2
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Changes in revaluation surplus (IAS 16), before tax	**38.0**	48.3
Changes in revaluation surplus (IAS 16), tax	**−7.5**	−9.7
Changes in revaluation surplus (IAS 16), net of tax	**30.5**	38.6
Items that may be subsequently reclassified to profit and loss		
Exchange differences on translating foreign operations, before tax	**−7.2**	−2.9
Exchange differences on translating foreign operations, net of tax	**−7.2**	−2.9
Cash flow hedges, before tax	**−2.0**	1.1
Cash flow hedges, tax	**0.4**	−0.2
Cash flow hedges, net of tax	**−1.6**	0.8
Other comprehensive income for the period, net of tax	**21.7**	36.6
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**−187.7**	33.4
Total comprehensive income attributable to:		
Equity holders of the parent company, continuing operations	**−176.4**	29.0
Equity holders of the parent company, discontinued operations	**−11.3**	4.3

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR mill.	**31.12.2017**	31.12.2016
ASSETS		
NON-CURRENT ASSETS		
Intangible assets		
Goodwill	**563.8**	735.6
Trademark	**92.4**	95.2
Intangible rights	**38.5**	45.3
Other intangible assets	**2.7**	3.2
Advance payments and construction in progress	**0.6**	3.7
Intangible assets, total	**698.0**	883.1
Property, plant and equipment		
Land and water	**103.9**	114.3
Buildings and constructions	**587.6**	654.8
Machinery and equipment	**76.2**	81.0
Modification and renovation expenses for leased premises	**4.4**	6.1
Advance payments and construction in progress	**1.2**	8.7
Property, plant and equipment, total	**773.2**	864.9
Investment properties	**100.5**	181.0
Non-current receivables	**3.0**	7.2
Available-for-sale investments	**0.3**	5.5
Deferred tax assets	**33.2**	38.3
NON-CURRENT ASSETS, TOTAL	**1 608.2**	1 980.0
CURRENT ASSETS		
Inventories	**162.2**	180.7
Current receivables		
Interest-bearing receivables	**2.2**	1.6
Income tax receivables	**3.6**	0.0
Non-interest-bearing receivables	**79.6**	58.7
Current receivables, total	**85.4**	60.3
Cash and cash equivalents	**21.0**	20.2
CURRENT ASSETS, TOTAL	**268.6**	261.2
ASSETS CLASSIFIED AS HELD FOR SALE	**184.6**	
ASSETS, TOTAL	**2 061.4**	2 241.2

EUR mill.	**31.12.2017**	31.12.2016
EQUITY AND LIABILITIES		
EQUITY		
Share capital	**144.1**	144.1
Share premium fund	**186.1**	186.1
Revaluation surplus	**418.6**	398.3
Invested unrestricted equity fund	**250.4**	250.4
Other funds	**43.8**	45.4
Translation reserve	**−14.5**	−7.2
Retained earnings	**−227.6**	−21.1
Hybrid bond	**84.3**	84.3
Equity attributable to equity holders of the parent company	**885.1**	1 080.3
EQUITY, TOTAL	**885.1**	1 080.3
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**146.7**	163.6
Non-current interest-bearing financing liabilities	**505.2**	525.3
Non-current non-interest-bearing liabilities and provisions	**20.7**	3.1
NON-CURRENT LIABILITIES, TOTAL	**672.6**	691.9
CURRENT LIABILITIES		
Current interest-bearing financing liabilities	**258.3**	236.5
Current non-interest-bearing liabilities		
Trade payables and other current liabilities	**183.5**	203.3
Income tax liabilities	**16.4**	24.9
Current provisions	**5.7**	4.4
Current non-interest-bearing liabilities, total	**205.7**	232.6
CURRENT LIABILITIES, TOTAL	**464.0**	469.0
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	**39.6**	
LIABILITIES, TOTAL	**1 176.3**	1 161.0
EQUITY AND LIABILITIES, TOTAL	**2 061.4**	2 241.2

Includes continuing and discontinued operations

CONSOLIDATED CASH FLOW STATEMENT

EUR mill.	1.1.–31.12.2017	1.1.–31.12.2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/loss for the period	**−209.4**	−3.2
Adjustments for:		
Depreciation, amortisation and impairment losses	**215.9**	59.2
Gains (-) and losses (+) of disposals of fixed assets and other non-current assets	**0.3**	−1.1
Interest and other financial expenses	**31.8**	23.9
Interest income	**−0.7**	−0.8
Income taxes	**18.7**	12.7
Other adjustments	**11.9**	0.7
Working capital changes:		
Increase (-) /decrease (+) in inventories	**15.5**	−2.8
Increase (-) / decrease (+) in trade and other current receivables	**3.1**	−4.1
Increase (+) / decrease (-) in current liabilities	**−26.4**	−15.5
Interest expenses paid	**−23.6**	−16.6
Interest received from operating activities	**0.6**	0.8
Other financing items from operating activities		−1.4
Income taxes paid from operating activities	**−11.8**	−10.3
Net cash from operating activities	**25.9**	41.5
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible and intangible assets	**−33.7**	−40.2
Proceeds from sale of tangible and intangible assets		7.0
Dividends received from investing activities	**0.0**	0.1
Net cash used in investing activities	**−33.7**	−33.2
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from current liabilities	**246.1**	230.5
Repayment of current liabilities	**−380.6**	−217.9
Proceeds from non-current liabilities	**737.4**	105.7
Repayment of non-current liabilities	**−582.9**	−127.1
Loan arrangement expenses	**−10.4**	
Payment of finance lease liabilities		−0.2
Interest on hybrid bond	**−7.4**	
Net cash used in financing activities	**2.3**	−8.9
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**−5.5**	−0.5
Cash and cash equivalents at the beginning of the period	**20.2**	19.1
Cheque account with overdraft facility	**−5.7**	−4.1
Cash and cash equivalents at the beginning of the period	**14.5**	15.0
Net increase/decrease in cash and cash equivalents	**−5.5**	−0.5
Effects of exchange rate fluctuations on cash held	**−0.2**	0.0
Cash and cash equivalents at the end of the period	**21.0**	20.2
Cheque account with overdraft facility	**−12.2**	−5.7
Cash and cash equivalents at the end of the period	**8.8**	14.5

Includes continuing and discontinued operations

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

EUR mill.	Share capital	Share premum fund	Revaluation surplus	Hedging reserve	Reserve for un-restricted equity	Other reserves	Translation differences	Retained earnings	Hybrid bond	**Total**
EQUITY 1.1.2017	144.1	186.1	398.3	1.5	250.4	43.9	−7.2	−21.1	84.3	**1 080.3**
Profit/loss for the period								−209.4		**−209.4**
Changes in revaluation surplus (IAS 16)			30.5							**30.5**
Exchange differences on translating foreign operations							−7.2			**−7.2**
Cash flow hedges				−1.6						**−1.6**
Total comprehensive income for the period, net of tax			30.5	−1.6			−7.2	−209.4		**−187.7**
Interest paid on hybrid bond								−7.4		**−7.4**
Other changes			−10.3			−0.1		10.3		
Total transactions with the equity owners			−10.3			−0.1		2.9		**−7.4**
EQUITY 31.12.2017	144.1	186.1	418.6	−0.1	250.4	43.8	−14.5	−227.6	84.3	**885.1**

Includes continuing and discontinued operations

GROUP'S OPERATING SEGMENTS

Revenue, EUR mill.	1.1.–31.12.2017	Restated 1.1.–31.12.2016
Lindex	**606.0**	633.2
Stockmann Retail	**410.2**	508.3
Real Estate	**67.1**	60.1
Segments, total	**1 083.3**	1 201.5
Unallocated	**0.0**	0.0
Eliminations	**−27.5**	−25.8
Group total	**1 055.9**	1 175.7

Operating profit/loss, EUR mill.	1.1.–31.12.2017	Restated 1.1.–31.12.2016
Lindex	**13.4**	54.9
Stockmann Retail	**−20.6**	−39.1
Real Estate	**29.0**	21.1
Segments, total	**21.8**	36.9
Unallocated	**−20.2**	−8.6
Goodwill impairment	**−150.0**	
Group total	**−148.4**	28.3
Financial income	**0.7**	0.8
Financial expenses	**−31.8**	−23.9
Consolidated profit/loss before taxes	**−179.5**	5.2

Depreciation, amortisation and impairment losses, EUR mill.	1.1.–31.12.2017	Restated 1.1.–31.12.2016
Lindex	**20.5**	19.9
Stockmann Retail	**14.9**	12.9
Real Estate	**23.2**	21.6
Segments, total	**58.6**	54.3
Unallocated	**7.3**	3.0
Goodwill impairment	**150.0**	
Group total	**215.9**	57.3

Capital expenditure, EUR mill.	1.1.–31.12.2017	1.1.–31.12.2016
Lindex	**22.6**	17.7
Stockmann Retail	**5.7**	21.2
Real Estate	**4.9**	5.3
Segments, total	**33.2**	44.1
Unallocated	**1.5**	0.1
Group total	**34.7**	44.2

Assets, EUR mill.	1.1.–31.12.2017	1.1.–31.12.2016
Lindex	**830.0**	1 008.9
Stockmann Retail	**189.1**	217.2
Real Estate	**786.4**	947.9
Segments, total	**1 805.5**	2 174.0
Unallocated	**71.3**	67.2
Assets classified as held for sale	**184.6**	
Group total	**2 061.4**	2 241.2

INFORMATION ON MARKET AREAS

Revenue, EUR mill.	1.1.–31.12.2017	Restated 1.1.–31.12.2016
Finland	**402.6**	504.4
Sweden*) and Norway	**474.7**	503.4
Baltic countries, Russia and other countries	**178.6**	167.9
Group total	**1 055.9**	1 175.7
Finland %	**38.1%**	42.9%
International operations %	**61.9%**	57.1%

Operating profit/loss, EUR mill.	1.1.–31.12.2017	Restated 1.1.–31.12.2016
Finland	**−34.0**	−39.2
Sweden*) and Norway	**20.5**	59.5
Baltic countries, Russia and other countries	**15.2**	7.9
Market areas total	**1.6**	28.3
Goodwill impairment	**−150.0**	
Group total	**−148.4**	28.3

Non-current assets, EUR mill.	1.1.–31.12.2017	1.1.–31.12.2016
Finland	**791.3**	801.0
Sweden and Norway	**668.3**	843.6
Baltic countries, Russia and other countries	**298.5**	297.2
Group total	**1 758.1**	1 941.7
Finland %	**45.0%**	41.3%
International operations %	**55.0%**	58.7%

*) Includes franchising income

ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

EUR mill.	31.12.2017	Restated 31.12.2016
Discontinued operations		
Profit/loss for the financial period from discontinued operations		
Income	**118.7**	140.6
Expenses	**129.5**	150.9
Profit/loss before and after taxes	**−10.8**	−10.3
Profit/loss relating to the sales of discontinued operations after income tax	**−0.5**	14.6
Result from discontinued operation	**−11.3**	4.3
Cash flows from discontinued operations		
Cash flow from operations	**−9.6**	−8.8
Cash flow from investments	**−0.9**	1.8
Cash flow total	**−10.5**	−7.1
Other assets classified as held for sale and the relating liabilities		
Intangible assets and property, plant and equipment	**183.0**	
Other receivables	**0.9**	
Cash and cash equivalents	**0.7**	
Other liabilities	**39.6**	
Net assets	**145.0**	

KEY FIGURES OF THE GROUP

	31.12.2017	31.12.2016
Equity ratio, %	**43.0**	48.3
Net gearing, %	**83.8**	68.3
Cash flow from operating activities per share, year-to-date, EUR	**0.36**	0.58
Interest-bearing net debt, EUR mill.	**739.4**	736.4
Number of shares at the end of the period, thousands	**72 049**	72 049
Weighted average number of shares, undiluted and diluted, thousands	**72 049**	72 049
Market capitalisation, EUR mill.	**321.0**	509.6
Operating profit/loss, % of revenue *)	**−14.1**	2.4
Equity per share, EUR	**12.29**	14.99
Return on equity, rolling 12 months, %	**−21.3**	−0.3
Return on capital employed, rolling 12 months, %	**−9.1**	1.8
Average number of employees, converted to full-time equivalents *)	**5 486**	5 960
Capital expenditure, year-to-date, EUR mill.	**34.7**	44.2

*) Continuing operations, comparison figures restated

DEFINITIONS OF KEY FIGURES

Performance measures according to IFRS

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

Alternative performance measures

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

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

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

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

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

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

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

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

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

EXCHANGE RATES OF EURO

Closing rate for the period	31.12.2017	31.12.2016
RUB	**69.3920**	64.3000
NOK	**9.8403**	9.0863
SEK	**9.8438**	9.5525
Average rate for the period	**1.1.–31.12.2017**	1.1.–31.12.2016
RUB	**65.9183**	74.1780
NOK	**9.3316**	9.2919
SEK	**9.6376**	9.4674

INFORMATION PER QUARTER

Consolidated income statement per quarter				Restated	Restated	Restated	Restated	Restated
EUR mill.	**Q4 2017**	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Continuing operations								
Revenue	**315.7**	242.0	281.3	216.9	348.0	263.9	320.7	243.2
Other operating income	**0.0**	0.0	0.0	0.0	0.0	0.6	0.6	0.0
Fair value changes on investment properties	**3.9**	−0.2	0.0		−0.1	−0.2	−0.1	
Materials and consumables	**−136.5**	−106.0	−123.4	−101.2	−153.6	−114.4	−137.5	−114.8
Wages, salaries and employee benefit expenses	**−61.5**	−57.2	−59.1	−58.4	−68.6	−60.4	−70.8	−70.6
Depreciation, amortisation and impairment losses	**−20.6**	−165.5	−14.9	−15.0	−15.2	−14.1	−14.5	−13.5
Other operating expenses	**−87.5**	−64.6	−69.3	−67.4	−78.1	−70.7	−81.0	−70.6
Operating profit/loss	**13.6**	−151.4	14.6	−25.1	32.3	4.8	17.5	−26.4
Financial income	**0.3**	0.1	−0.3	0.6	−0.1	0.2	0.3	0.4
Financial expenses	**−11.3**	−4.9	−10.5	−5.2	−9.0	−5.3	−5.0	−4.7
Total financial income and expenses	**−10.9**	−4.8	−10.8	−4.6	−9.1	−5.0	−4.7	−4.3
Profit/loss before tax	**2.6**	−156.2	3.8	−29.7	23.2	−0.2	12.8	−30.6
Income taxes	**−14.8**	−1.8	−4.9	2.8	−2.3	−5.2	−8.2	3.0
Profit/loss from continuing operations	**−12.2**	−158.0	−1.1	−26.9	20.9	−5.4	4.6	−27.6
Profit/loss from discontinued operations	**−1.2**	−3.1	−4.3	−2.7	6.0	−1.8	−6.3	6.4
Net profit/loss for the period	**−13.3**	−161.1	−5.4	−29.6	26.9	−7.2	−1.7	−21.2

Earnings per share per quarter				Restated	Restated	Restated	Restated	Restated
EUR	**Q4 2017**	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
From continuing operations (undiluted and diluted)	**−0.19**	−2.21	−0.03	−0.39	0.27	−0.09	0.05	−0.40
From the period result (undiluted and diluted)	**−0.20**	−2.25	−0.09	−0.43	0.36	−0.12	−0.04	−0.31

Segment information per quarter				Restated	Restated	Restated	Restated	Restated
EUR mill.	**Q4 2017**	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Revenue								
Lindex	**169.6**	151.1	162.1	123.2	171.3	156.1	175.6	130.2
Stockmann Retail	**136.2**	81.2	109.1	83.7	167.1	99.2	136.7	105.2
Real Estate	**16.8**	16.5	16.8	17.0	15.7	14.9	14.7	14.8
Unallocated	**0.0**	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Eliminations	**−6.8**	−6.8	−6.9	−7.0	−6.1	−6.3	−6.4	−7.1
Group total	**315.7**	242.0	281.3	216.9	348.0	263.9	320.7	243.2
Operating profit/loss								
Lindex	**10.0**	5.5	12.6	−14.7	19.6	15.7	28.1	−8.5
Stockmann Retail	**7.5**	−10.8	−2.6	−14.7	12.5	−16.1	−14.2	−21.3
Real Estate	**9.8**	6.3	6.6	6.4	4.6	5.1	5.4	6.0
Segments, total	**27.2**	1.0	16.6	−23.0	36.7	4.6	19.3	−23.7
Unallocated	**−13.7**	−2.4	−2.0	−2.1	−4.4	0.2	−1.8	−2.6
Goodwill impairment		−150.0						
Group total	**13.6**	−151.4	14.6	−25.1	32.3	4.8	17.5	−26.4

Information on market areas				Restated	Restated	Restated	Restated	Restated
EUR mill.	**Q4 2017**	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Revenue								
Finland	**129.7**	83.5	108.1	81.3	161.1	103.3	137.1	102.9
Sweden*) and Norway	**131.8**	117.9	127.7	97.4	136.2	122.8	140.6	103.9
Baltic countries, Russia and other countries	**54.3**	40.7	45.5	38.2	50.7	37.8	43.0	36.4
Group total	**315.7**	242.0	281.3	216.9	348.0	263.9	320.7	243.2
Finland %	**41.1%**	34.5%	38.4%	37.5%	46.3%	39.2%	42.8%	42.3%
International operations %	**58.9%**	65.5%	61.6%	62.5%	53.7%	60.8%	57.2%	57.7%
Operating profit/loss								
Finland	**−3.8**	−11.2	−3.0	−16.0	6.7	−12.4	−12.0	−21.5
Sweden*) and Norway	**9.8**	7.1	13.1	−9.5	18.7	16.0	27.4	−2.6
Baltic countries, Russia and other countries	**7.6**	2.7	4.4	0.5	7.0	1.2	2.0	−2.2
Market areas total	**13.6**	−1.4	14.6	−25.1	32.3	4.8	17.5	−26.4
Goodwill impairment		−150.0						
Group total	**13.6**	−151.4	14.6	−25.1	32.3	4.8	17.5	−26.4

*) Includes franchising income

CONTINGENT LIABILITIES AND DERIVATIVE CONTRACTS

Contingent liabilities of the Group, EUR mill.	31.12.2017	31.12.2016
Mortgages on land and buildings	**1 801.7**	1.7
Pledges and guarantees	**2.9**	11.4
Liabilities of adjustments of VAT deductions made on investments to immovable property	**12.7**	15.4
Total	**1 817.3**	28.5
Hybrid bond		
On 17 December 2015 Stockmann issued a hybrid bond of EUR 85 mill. The accrued interest on the bond at the end of period was:	**6.0**	6.8

Lease agreements on the Group's business premises, EUR mill.	31.12.2017	31.12.2016
Minimum rents payable on the basis of binding lease agreements on business premises		
Within one year	**129.3**	127.8
After one year	**555.8**	581.2
Total	**685.1**	708.9

Group's lease payments, EUR mill.	31.12.2017	31.12.2016
Within one year	**0.7**	0.7
After one year	**1.7**	0.9
Total	**2.4**	1.6

Group's derivative contracts, EUR mill.	31.12.2017	31.12.2016
Nominal value		
Currency derivatives	**805.7**	469.3
Electricity derivatives	**1.4**	1.8
Total	**807.1**	471.1

CONSOLIDATED ASSETS AND GOODWILL

Assets, EUR mill.	31.12.2017	31.12.2016
Acquisition cost at the beginning of the period	**2 361.7**	2 331.8
Fair value change from revaluation of the real estates	**41.7**	47.9
Translation difference +/-	**−31.9**	−34.3
Increases during the period	**34.7**	44.2
Decreases during the period	**−27.8**	−27.9
Transfers to non-current assets classified as held for sale	**−208.6**	
Acquisition cost at the end of the period	**2 169.8**	2 361.7
Accumulated depreciation and impairment losses at the beginning of the period	**−432.7**	−397.6
Translation difference +/-	**6.3**	−0.3
Depreciation on reductions during the period	**17.3**	24.4
Accumulated depreciation on transfers to non-current assets classified as held for sale	**27.0**	
Depreciation, amortisation and impairment losses during the period	**−215.9**	−59.2
Accumulated depreciation and impairment losses at the end of the period	**−598.0**	−432.7
Carrying amount at the beginning of the period	**1 929.0**	1 934.1
Carrying amount at the end of the period	**1 571.8**	1 929.0

Calculation of consolidated assets includes following changes in consolidated goodwill:

Goodwill, EUR mill.	31.12.2017	31.12.2016
Carrying amount at the beginning of the period	**735.6**	764.7
Translation difference +/-	**−21.8**	−29.1
Impairment losses	**−150.0**	
Carrying amount at the end of the period	**563.8**	735.6

Impairment testing during the financial year

As there were indications during the financial year that the value of Lindex's asset items in the statement of financial position was greater than Lindex's recoverable amount of the assets, the recoverable amount of the assets in Lindex was determined on 30 September 2017 using the same principles as in the financial statements 31 December 2016 and 31 December 2017. As a result of the impairment test, an impairment loss of EUR 150 million was recognised in the income statement on 30 September 2017. Following the impairment loss recognised during the financial year in Lindex CGU, the recoverable amount of goodwill is equal to the carrying amount of EUR 538.8 million. There is no buffer between the carrying amount of Lindex and the recoverable amount determined in the testing and thus any negative change in main variables may alone or in combination cause additional impairment.

Impairment testing in the financial statements 31 December 2017

EUR 538.8 million of goodwill was allocated to the Lindex and EUR 25 million of goodwill to Stockmann Retail on 31 December 2017. Goodwill allocated to both Lindex and Stockmann Retail was tested on 31 December 2017. Based on the impairment testing carried out, there is no need for impairment entries.

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

Financial assets, EUR mill.	Level	**Carrying amount 31.12.2017**	**Fair value 31.12.2017**	Carrying amount 31.12.2016	Fair value 31.12.2016
Derivative contracts, hedge accounting applied	2	**0.5**	**0.5**	2.0	2.0
Financial assets at fair value through profit or loss					
Derivative contracts, hedge accounting not applied					
Currency derivatives	2	**4.8**	**4.8**	5.5	5.5
Financial assets at amortised cost					
Non-current receivables		**3.0**	**3.0**	7.2	7.2
Current receivables, interest-bearing		**2.2**	**2.2**	1.6	1.6
Current receivables, non-interest-bearing		**74.3**	**74.3**	51.1	51.1
Cash and cash equivalents		**21.0**	**21.0**	20.2	20.2
Available-for-sale financial assets	3	**0.3**	**0.3**	5.5	5.5
Financial assets, total		**106.1**	**106.1**	93.2	93.2

Financial liabilities, EUR mill.	Level	**Carrying amount 31.12.2017**	**Fair value 31.12.2017**	Carrying amount 31.12.2016	Fair value 31.12.2016
Derivative contracts, hedge accounting applied	2	**0.7**	**0.7**	0.1	0.1
Financial liabilities at fair value through profit or loss					
Derivative contracts, hedge accounting not applied					
Currency derivatives	2	**5.6**	**5.6**	2.7	2.7
Electricity derivatives	1	**0.2**	**0.2**	0.2	0.2
Financial liabilities at amortised cost					
Non-current interest-bearing liabilities	2	**505.2**	**504.2**	525.3	529.7
Current liabilities, interest-bearing	2	**258.3**	**258.5**	236.5	237.0
Current liabilities, non-interest-bearing		**177.2**	**177.2**	200.4	200.4
Financial liabilities, total		**947.2**	**946.3**	965.1	970.1

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

There were no transfers between levels during the financial year.

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

Change in fair value of available-for-sale financial assets, EUR mill.	**31.12.2017**	31.12.2016
Carrying amount Jan. 1	**5.5**	5.4
Translation difference +/-	**−0.1**	0.3
Sale of shares	**0.0**	−0.2
Write-off related to the investment in Cooperative	**−3.8**	
Transfers to non-current assets held for sale	**−1.4**	
Total	**0.3**	5.5

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