STOCKMANN

FINANCIAL REVIEW 2016

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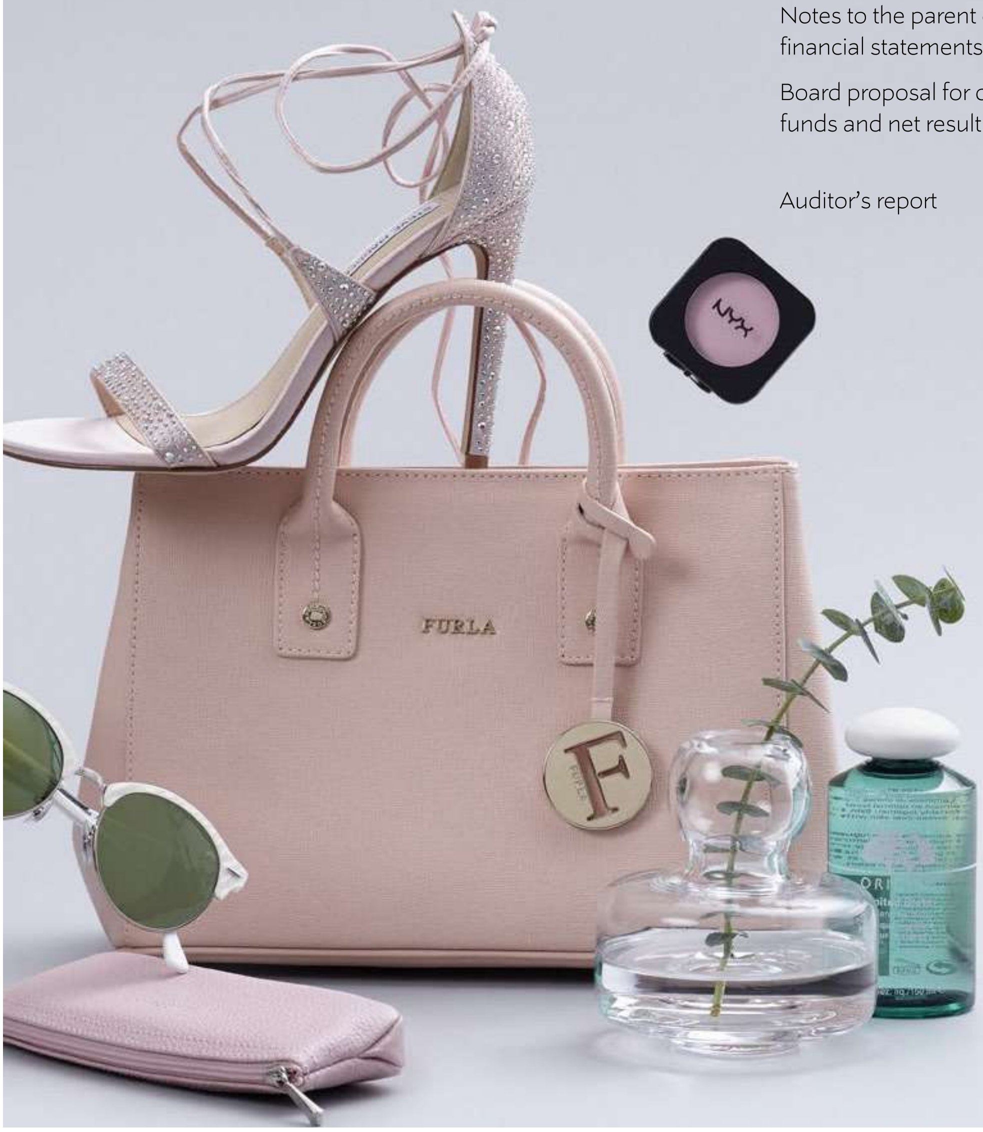

REPORT BY THE BOARD OF DIRECTORS

The Stockmann Group's consolidated revenue was EUR 1 303.2 million (EUR 1 434.8 million) in 2016. Revenue in continuing product areas and businesses was down by 4.1 per cent. Gross margin was up, to 53.4 per cent (50.6 per cent). Adjusted operating profit was EUR 20.2 million (EUR -28.5 million) and reported operating profit was EUR 17.6 million (EUR -52.5 million). Reported earnings per share were EUR -0.33 (EUR -1.24). The Board of Directors will propose no dividend to be paid on the 2016 result.

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

STRATEGY

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

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

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

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

EFFICIENCY PROGRAMME

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

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

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

EVENTS AFTER THE REPORTING PERIOD

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

REVENUE AND EARNINGS IN CONTINUING OPERATIONS

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

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

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

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

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

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

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

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

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

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

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

The result for the year was EUR -18.2 million (EUR -88.9 million). The net result for 2016, including discontinued operations, was EUR -3.2 million (EUR -175.0 million).

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

REVENUE AND EARNINGS BY DIVISION

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

Lindex

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

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

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

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

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

Stockmann Retail

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

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

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

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

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

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

Real Estate

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

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

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

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

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

Several new stores and services were opened in the Stockmann properties during 2016. Joe & the Juice, AKA Gastrobar and Bar Primero started offering new food and beverage experiences in the Helsinki flagship department store. Technopolis opened a unique co-working space, UMA Esplanadi, in the Book Building in Helsinki. XS Toys opened toy stores in the Riga, Tallinn, Turku, Tampere, Jumbo and Itis stores. Scandinavian Outdoor and Halti opened outdoor stores in the Tampere and Turku stores. Westerback opened jewelry and watch stores in Helsinki, Jumbo, Tampere and Itis, while stores in Turku and Tapiola will open in the first quarter of 2017.

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

FINANCING AND CAPITAL EMPLOYED

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

Net working capital excluding cash and cash equivalents amounted to EUR 8.4 million at the close of the year, compared with EUR -4.2 million a year earlier. Inventories were EUR 180.7 million (EUR 170.8 million) at year-end. The increase was due to the higher inventory level of Lindex.

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

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

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

PROPERTIES

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

STORE NETWORK

STOCKMANN GROUP	Total 31.12.2015	New stores in 2016	Closed/divested stores in 2016	**Total 31.12.2016**
Lindex stores	487	13	25	**475**
of which own stores	450	5	19	**436**
of which franchising	37	8	6	**39**
Department stores*	16		7	**9***
Outlet stores	1			**0**
Hobby Hall stores	1		1	**0**

** Department store in Oulu closed on 31 January 2017.*

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

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

CAPITAL EXPENDITURE

Capital expenditure in 2016 totalled EUR 44.2 million (EUR 53.4 million). Depreciation was EUR 59.2 million (EUR 71.9 million).

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

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

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

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

NEW PROJECTS

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

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

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

SHARES AND SHARE CAPITAL

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

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

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

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

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

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

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

PERSONNEL

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

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

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

CHANGES IN MANAGEMENT

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

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

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

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

CORPORATE SOCIAL RESPONSIBILITY

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

Further information on Stockmann's CSR activities and results is published in the CSR Review which is reported according to the Global Reporting Initiative (GRI). The review has been published at the company's website stockmanngroup.com.

RISK FACTORS

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

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

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

Fashion accounts for over two thirds of the Group's revenue. An inherent feature of the fashion trade is the short lifecycle of products and their dependence on trends, the seasonality of sales and the susceptibility to abnormal changes in weather conditions. Responsible management of the supply chain is important for the Group's brands in order to retain customer confidence in Stockmann. The Group addresses these factors as part of its day-to-day management of operations.

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

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

OUTLOOK FOR 2017

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

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

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

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

Stockmann has published a separate Corporate Governance Statement for 2016 in line with the recommendation by the Finnish Corporate Governance Code.

Helsinki, Finland, 14 February 2017

STOCKMANN plc

Board of Directors

Key figures

		2016	2015	2014	2013	2012
Revenue *)	EUR mill.	1 303,2	1 434,8	1 605,5	2 037,1	2 116,4
Change on the previous year *)	%	-9,2	-10,6		-3,7	5,5
Operating result *)	EUR mill.	17,6	-52,5	-77,2	54,4	87,3
Change on the previous year *)	%	-133,4	-31,9		-37,7	24,6
Share of revenue *)	%	1,3	-3,7	-4,8	2,7	4,1
Adjustments to operating result	EUR mill.	2,6	24,0	39,3		
Adjusted operating result	EUR mill.	20,2	-28,5	-37,8		
Result before taxes *)	EUR mill.	-5,5	-73,7	-77,2	26,8	54,9
Change on the previous year *)	%	-92,5	-4,4		-51,2	54,0
Share of revenue *)	%	-0,4	-5,1	-4,8	1,3	2,6
Result for the period	EUR mill.	-3,2	-175,0	-99,8	48,4	53,6
Share capital	EUR mill.	144,1	144,1	144,1	144,1	144,1
A share	EUR mill.	61,1	61,2	61,2	61,3	61,3
B share	EUR mill.	83,0	82,9	82,9	82,8	82,8
Dividends**)	EUR mill.				28,8	43,2
Return on equity	%	-0,3	-19,4	-12,1	5,4	6,1
Return on capital employed	%	1,8	-7,6	-4,9	3,4	5,1
Capital employed	EUR mill.	1 858,3	1 740,4	1 657,9	1 725,8	1 737,1
Capital turnover rate		0,7	0,9	1,1	1,2	1,2
Inventories rate		3,4	4,8	4,1	3,7	3,8
Equity ratio	%	48,3	46,1	39,3	43,8	42,8
Net gearing	%	68,3	72,1	105,4	87,3	90,9
Investments in fixed assets	EUR mill.	44,2	53,4	53,8	56,9	60,3
Share of net turnover *)	%	3,4	3,7	3,4	2,8	2,8
Interest-bearing debtors	EUR mill.	5,1	10,7	5,2	43,2	43,8
Interest-bearing liabilities	EUR mill.	761,8	783,4	833,9	814,8	848,5
Interest-bearing net debt	EUR mill.	736,4	753,6	799,4	737,8	768,6
Total assets	EUR mill.	2 241,2	2 273,9	1 936,5	2 044,6	2 087,1
Staff expenses *)	EUR mill.	290,5	321,5	356,3	397,8	405,1
Share of revenue *)	%	22,3	22,4	22,2	19,5	19,1
Personnel, average *)	persons	9 006	10 763	12 157	14 963	15 603
Revenue per person *)	EUR thousands	144,7	133,3	132,1	136,1	135,6
Operating result per person *)	EUR thousands	2,0	-4,9	-6,3	3,6	5,6
Staff expenses per person *)	EUR thousands	32,3	29,9	29,3	26,6	26,0

*) Years 2016, 2015 and 2014 include only continuing operations.

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

Per-share data

		2016	2015	2014	2013	2012
Earnings per share, continuing operations	EUR	-0,33	-1,24	-1,34	0,67	0,74
Earnings per share, discontinued operations	EUR	0,21	-1,20	-0,04		
Earnings per share (undiluted and diluted)	EUR	-0,12	-2,43	-1,39	0,67	0,74
Equity per share	EUR	14,99	14,53	10,55	12,42	12,40
Dividend per share *	EUR				0,40	0,60
Dividend per earnings *	%				59,5	80,6
Cash flow from operating activities per share	EUR	0,58	0,24	0,41	1,74	1,72
Effective dividend yield *	%					
A share					3,6	4,3
B share					3,6	4,4
P/E ratio of shares						
A share		-60,4	-2,6	-4,6	16,5	18,9
B share		-60,2	-2,6	-4,6	16,4	18,3
Share quotation at 31.12.	EUR					
A share		7,09	6,22	6,42	11,06	14,08
B share		7,06	6,25	6,36	11,04	13,60
Highest price during the period	EUR					
A share		7,55	8,00	12,40	15,20	19,50
B share		7,31	8,41	12,58	14,92	18,68
Lowest price during the period	EUR					
A share		5,26	5,94	6,20	11,00	13,40
B share		5,06	5,98	6,21	10,75	12,12
Average price during the period	EUR					
A share		5,97	6,86	9,76	12,51	15,57
B share		6,33	7,10	10,00	12,50	15,19
Share turnover	thousands					
A share		2 791	2 188	933	447	436
B share		12 231	14 615	17 625	14 564	11 308
Share turnover	%					
A share		9,1	7,2	3,0	1,5	1,4
B share		29,5	35,2	42,5	35,1	27,3
Market capitalisation at 31.12.	EUR mill.	509,6	449,4	460,1	796,0	994,6
Number of shares at 31.12.	thousands	72 049	72 049	72 049	72 049	72 049
A share		30 531	30 553	30 596	30 596	30 628
B share		41 518	41 495	41 453	41 453	41 421
Weighted average						
number of shares	thousands	72 049	72 049	72 049	72 049	71 945
A share		30 533	30 590	30 596	30 601	30 628
B share		41 515	41 459	41 453	41 448	41 318
Weighted average						
number of shares, diluted	thousands	72 049	72 049	72 049	72 049	71 945
Total number of shareholders at 31.12.	no	49 813	52 415	55 343	59 475	59 283

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

Definition of key figures

Adjusted operating result	=	Operating result less adjustments
Result before taxes	=	Operating result + financial income less financial expenses
Return on equity, %	= 100 x	Result for the period / Equity + non-controlling interest (average over the year)
Return on capital employed, %	= 100 x	Result 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 less interest-bearing receivables / Equity total
Interest-bearing net debt	=	Interest-bearing liabilities less cash and cash equivalents less interest-bearing receivables

Definition of per-share data

Earnings per share	=	Result for the period attributable to the parent company's shareholders less tax-adjusted interest on hybrid bond / 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 share	=	Dividend per share
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 average number of shares traded during the period
Share turnover	=	Quantitative share turnover, adjusted for share issues
Market capitalisation 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

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 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 2016 was 49 813 (52 415 shareholders at 31 December 2015).

The company's market capitalisation at 31 December 2016 was EUR 509.6 million (EUR 449.4 million at 31 December 2015).

Share option programmes

Stockmann has one option program on-going; Key employee share option programme 2010 for key employees in the Stockmann Group. More information in note 21.

Own shares

At 31 December 2016, 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.

Price trend of shares

	Closing prices Dec. 31, 2016 EUR	Closing prices Dec. 31, 2015 EUR	Change %
Series A	7,09	6,22	14,0
Series B	7,06	6,25	13,0

Turnover of shares 2016 on the Helsinki Stock Exchange

	Number of shares	% of total shares outstanding	EUR	Average price EUR
Series A	2 791 327	9,1	16 680 095	5,97
Series B	12 230 717	29,5	77 236 681	6,33
Total	15 022 044		93 916 776	

Share capital, 31 December 2016

Series A	30 530 868	shares at EUR 2 each	61 061 736	EUR
Series B	41 517 815	shares at EUR 2 each	83 035 630	EUR
Total	72 048 683		144 097 366	EUR

Number of shares, 31 December 2016

	Number	Shareholders %	Percentage of shares %	Percentage of votes %
1-100	32 660	65,5	1,7	0,6
101-1000	14 296	28,7	6,7	4,7
1001-10000	2 628	5,3	9,0	5,9
10001-100000	188	0,4	7,2	3,6
100001-1000000	27	0,1	11,8	12,5
1000001-	14	0,0	63,6	72,7
Total	49 813	100,0	100,0	100,0

Ownership structure, 31 December 2016

	Number	Shareholders %	Percentage of shares %	Percentage of votes %
Households	48 486	97,3	23,2	20,8
Private and public corporations	807	1,6	20,3	20,1
Foundations and associations	316	0,6	45,5	56,1
Nominee registrations (incl. foreign shareholders)	170	0,4	7,5	2,2
Financial and insurance companies	34	0,1	3,5	0,8
Unregistered shares		0,0	0,0	0,0
Total	49 813	100,0	100,0	100,0

Major shareholders, 31 December 2016

		Percentage of shares %	Percentage of votes %
1	HTT STC Holding Oy Ab	11,7	10,7
2	Föreningen Konstsamfundet Grouping	9,4	15,1
3	Varma Mutual Pension Insurance Company	8,5	5,1
4	Society of Swedish Literature in Finland	7,6	15,7
5	Niemistö Kari	5,8	9,4
6	Stiftelsen för Åbo Akademi	4,2	6,7
7	Etola Group	4,2	6,1
8	Ilmarinen Mutual Pension Insurance Company	2,4	1,0
9	Samfundet Folkhälsan i Svenska Finland r.f.	2,2	2,7
10	Jenny ja Antti Wihuri Foundation	1,9	2,1
11	The State Pension Fund	1,6	0,3
12	Inez och Julius Polins Fond	1,5	0,8
13	Wilhelm och Else Stockmanns Stiftelse	1,1	2,2
14	Etera Mutual Pension Insurance Company	0,9	0,2
15	Helene och Walter Grönqvists Stiftelse	0,7	1,5
16	William Thurings Stiftelse	0,5	0,7
17	Brita Maria Renlunds minne Foundation	0,4	0,8
18	Danske Invest Finnish Institutional Equity Fund	0,4	0,1
19	OP-Finland Value Fund	0,4	0,1
20	Nordea Pro Finland Fund	0,3	0,1
	Other	34,3	18,6
	Total	100,0	100,0

Consolidated income statement

EUR mill.	Note	**1.1.–31.12.2016**	1.1.–31.12.2015
Continuing operations			
REVENUE	2,4	**1 303.2**	1 434.8
Other operating income	5	**1.3**	0.2
Materials and consumables	6	**–608.8**	–709.3
Wages, salaries and employee benefit expenses	7,31	**–290.5**	–321.5
Depreciation, amortisation and impairment losses	2,8,13,14	**–59.2**	–71.9
Other operating expenses	9	**–328.4**	–384.8
Total expenses		**–1 286.9**	–1 487.5
OPERATING PROFIT/LOSS	2	**17.6**	–52.5
Financial income	10	**0.8**	0.9
Financial expenses	10	**–23.9**	–22.1
Total financial income and expenses		**–23.1**	–21.2
PROFIT/LOSS BEFORE TAX		**–5.5**	–73.7
Income taxes	11	**–12.7**	–15.1
PROFIT/LOSS FROM CONTINUING OPERATIONS		**–18.2**	–88.9
Profit/loss from discontinued operations	3	**15.0**	–86.1
NET PROFIT/LOSS FOR THE PERIOD		**–3.2**	–175.0
Profit/loss for the period attributable to:			
Equity holders of the parent company		**–3.2**	–175.0
Non-controlling interest			–0.0
Earnings per share, EUR	12		
From continuing operations (undiluted and diluted)		**–0.33**	–1.24
From discontinued operations (undiluted and diluted)		**0.21**	–1.20
From the period result (undiluted and diluted)		**–0.12**	–2.43

Consolidated statement fo comprehensive income

EUR mill.	Note	**1.1.–31.12.2016**	1.1.–31.12.2015
PROFIT/LOSS FOR THE PERIOD		**–3.2**	–175.0
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurement gains/losses on defined benefit pension liability, before tax			0.0
Remeasurement gains/losses on defined benefit pension liability, tax			0.0
Remeasurement gains/losses on defined benefit pension liability, net of tax			0.0
Changes in revaluation surplus (IAS 16), before tax		**48.3**	473.0
Changes in revaluation surplus (IAS 16), tax		**–9.7**	–94.5
Changes in revaluation surplus (IAS 16), net of tax		**38.6**	378.5
Items that may be subsequently reclassified to profit and loss			
Exchange differences on translating foreign operations, before tax		**–2.9**	1.5
Exchange differences on translating foreign operations, tax			0.1
Exchange differences on translating foreign operations, net of tax	11,21	**–2.9**	1.6
Cash flow hedges, before tax		**1.1**	–3.6
Cash flow hedges, tax		**–0.2**	0.8
Cash flow hedges, net of tax	11,21	**0.8**	–2.8
Other comprehensive income for the period, net of tax		**36.6**	377.2
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**33.4**	202.2
Total comprehensive income attributable to:			
Equity holders of the parent company, continuing operations		**18.3**	288.4
Equity holders of the parent company, discontinued operations		**15.0**	–86.1
Non-controlling interest			–0.0

Consolidated statement of financial position

EUR mill.	Note	31.12.2016	31.12.2015
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Goodwill		**735.6**	764.7
Trademark		**95.2**	98.9
Intangible rights		**45.3**	48.7
Other intangible assets		**3.2**	3.7
Advance payments and construction in progress		**3.7**	1.9
Intangible assets, total	13	**883.1**	917.9
Property, plant and equipment			
Land and water		**114.3**	140.4
Buildings and constructions		**654.8**	777.8
Machinery and equipment		**81.0**	63.2
Modification and renovation expenses for leased premises		**6.1**	5.5
Advance payments and construction in progress		**8.7**	29.3
Property, plant and equipment, total	14	**864.9**	1 016.2
Investment properties	15	**181.0**	
Non-current receivables	26,29	**7.2**	9.7
Available-for-sale investments	17	**5.5**	5.4
Deferred tax assets	25	**38.3**	45.2
NON-CURRENT ASSETS, TOTAL		**1 980.0**	1 994.5
CURRENT ASSETS			
Inventories	18	**180.7**	170.8
Current receivables			
Interest-bearing receivables		**1.6**	1.6
Income tax receivables		**0.0**	0.2
Non-interest-bearing receivables		**58.7**	53.8
Current receivables, total	19	**60.3**	55.5
Cash and cash equivalents	20	**20.2**	19.1
CURRENT ASSETS, TOTAL		**261.2**	245.4
ASSETS CLASSIFIED AS HELD FOR SALE	2,3		34.0
ASSETS, TOTAL		**2 241.2**	2 273.9

EUR mill.	Note	31.12.2016	31.12.2015
EQUITY AND LIABILITIES			
EQUITY			
Share capital		**144.1**	144.1
Share premium fund		**186.1**	186.1
Revaluation surplus		**398.3**	368.9
Invested unrestricted equity fund		**250.4**	250.4
Other funds		**45.4**	44.6
Translation reserve		**-7.2**	-4.3
Retained earnings		**-21.1**	-27.1
Hybrid bond		**84.3**	84.3
Equity attributable to equity holders of the parent company	21	**1 080.3**	1 046.9
EQUITY, TOTAL		**1 080.3**	1 046.9
NON-CURRENT LIABILITIES			
Deferred tax liabilities	25	**163.6**	163.9
Non-current interest-bearing financing liabilities	22	**525.3**	534.7
Non-current non-interest-bearing liabilities and provisions	24,26,29	**3.1**	4.8
NON-CURRENT LIABILITIES, TOTAL		**691.9**	703.4
CURRENT LIABILITIES			
Current interest-bearing financing liabilities	23	**236.5**	248.7
Current non-interest-bearing liabilities			
Trade payables and other current liabilities	23,29	**203.3**	207.5
Income tax liabilities	23	**24.9**	20.5
Current provisions	24	**4.4**	2.5
Current non-interest-bearing liabilities, total		**232.6**	230.5
CURRENT LIABILITIES, TOTAL		**469.0**	479.2
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	3		44.4
LIABILITIES, TOTAL		**1 161.0**	1 227.0
EQUITY AND LIABILITIES, TOTAL		**2 241.2**	2 273.9

Includes continuing and discontinued operations

Consolidated cash flow statement

EUR mill.	Note	**1.1.–31.12.2016**	1.1.–31.12.2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/loss for the period		**–3.2**	–175.0
Adjustments for:			
Depreciation, amortisation and impairment losses		**59.2**	89.1
Gains (-) and losses (+) of disposals of fixed assets and other non-current assets		**–1.1**	1.1
Interest and other financial expenses		**23.9**	27.0
Interest income		**–0.8**	–1.1
Income taxes		**12.7**	15.1
Other adjustments		**0.7**	–24.1
Working capital changes:			
Increase (-) /decrease (+) in inventories		**–2.8**	73.0
Increase (-) / decrease (+) in trade and other current receivables		**–4.1**	47.0
Increase (+) / decrease (-) in current liabilities		**–15.5**	–11.2
Interest expenses paid		**–16.6**	–17.8
Interest received from operating activities		**0.8**	0.8
Other financing items from operating activities		**–1.4**	–1.5
Income taxes paid from operating activities		**–10.3**	–5.1
Net cash from operating activities		**41.5**	17.2
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of tangible and intagible assets		**–40.2**	–53.9
Proceeds from sale of tangible and intangible assets		**7.0**	0.9
Acquisition of subsidiaries, net of cash acquired			–0.3
Loans granted			–7.0
Dividends received from investing activities		**0.1**	0.1
Net cash used in investing activities		**–33.2**	–60.3
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of hybrid bond			84.3
Proceeds from current liabilities		**230.5**	218.0
Repayment of current liabilities		**–217.9**	–207.4
Proceeds from non-current liabilities		**105.7**	51.2
Repayment of non-current liabilities		**–127.1**	–112.9
Payment of finance lease liabilities		**–0.2**	–0.6
Net cash used in financing activities		**–8.9**	32.7
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**–0.5**	–10.4
Cash and cash equivalents at the beginning of the period		**19.1**	29.3
Cheque account with overdraft facility		**–4.1**	–4.1
Cash and cash equivalents at the beginning of the period		**15.0**	25.3
Net increase/decrease in cash and cash equivalents		**–0.5**	–10.4
Effects of exchange rate fluctuations on cash held		**0.0**	0.2
Cash and cash equivalents at the end of the period		**20.2**	19.1
Cheque account with overdraft facility		**–5.7**	–4.1
Cash and cash equivalents at the end of the period	20	**14.5**	15.0

Includes continuing and discontinued operations

Consolidated statement of changes in equity

EUR mill.	Share capital	Share premum fund	Revaluation surplus	Hedging reserve	Reserve for un-restricted equity	Other reserves	Translation differences	Retained earnings	Hybrid bond	**Total**	Non-controlling interest	**Total**
EQUITY 1.1.2015	144.1	186.1		3.4	250.4	43.9	-5.9	138.3		**760.4**	0.0	**760.4**
Profit/loss for the period								-175.0		**-175.0**	-0.0	**-175.0**
Remeasurement gains/losses on defined benefit pension liability								0.0		**0.0**		**0.0**
Changes in revaluation surplus (IAS 16)			378.5							**378.5**		**378.5**
Exchange differences on translating foreign operations 2)							1.6			**1.6**		**1.6**
Cash flow hedges 2)				-2.8						**-2.8**		**-2.8**
Total comprehensive income for the period, net of taxes			378.5	-2.8			1.6	-175.1		**202.2**		**202.2**
Proceeds from hybrid bond									85.0	**85.0**		**85.0**
Hybrid bond expenses									-0.7	**-0.7**		**-0.7**
Other changes 1)			-9.6					9.6		**0.0**		**0.0**
Total transactions with owners			-9.6					9.6	84.3	**84.3**		**84.3**
EQUITY 31.12.2015	144.1	186.1	368.9	0.6	250.4	43.9	-4.3	-27.1	84.3	**1 046.9**		**1 046.9**

EUR mill.	Share capital	Share premum fund	Revaluation surplus	Hedging reserve	Reserve for un-restricted equity	Other reserves	Translation differences	Retained earnings	Hybrid bond	**Total**	Non-controlling interest	**Total**
EQUITY 1.1.2016	144.1	186.1	368.9	0.6	250.4	43.9	-4.3	-27.1	84.3	**1 046.9**		**1 046.9**
Profit/loss for the period								-3.2		**-3.2**		**-3.2**
Changes in revaluation surplus (IAS 16)			38.6							**38.6**		**38.6**
Exchange differences on translating foreign operations 2)							-2.9			**-2.9**		**-2.9**
Cash flow hedges 2)				0.8						**0.8**		**0.8**
Total comprehensive income for the period, net of taxes			38.6	0.8			-2.9	-3.2		**33.4**		**33.4**
Other changes 1)			-9.2					9.2		**0.0**		**0.0**
Total transactions with owners			-9.2					9.2		**0.0**		**0.0**
EQUITY 31.12.2016	144.1	186.1	398.3	1.5	250.4	43.9	-7.2	-21.1	84.3	**1 080.3**		**1 080.3**

1) A yearly transfer of the difference between depreciation based on the revalued carrying amount of buildings and depreciation based on the building's original cost.
2) Notes 11,21
Includes continuing and discontinued operations

Notes to the consolidated financial statements

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 Helsinki Ltd). A copy of the consolidated financial statements is available at the internet address www.stockmanngroup.com 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 2016. 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 2016, the Group has applied the following new and revised standards and interpretations:
The Annual Improvements to IFRSs 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 amendments cover four standards. The impacts of the amendments vary by standard, but they are not significant.
Amendments to IAS 1 Presentation of Financial Statements – Disclosure Initiative, effective in financial periods beginning on or after 1 January 2016.

The amendments clarify the IAS 1 guidelines regarding materiality, disaggregating line items in the balance sheet and in the statement of profit and loss, presentation of subtotals, the structure of the financial statements and accounting policies. The amendments to the standard have not affected the presentation of the consolidated financial statements.

Amendments to IFRS 11 Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations, which applies to financial periods beginning on or after 1 January 2016. The amendments to the standard require the application of accounting for business combinations for acquisitions of an interest in a joint operation when the operation constitutes a business. The amendments have had no effect on the consolidated financial statements.

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

In preparing the consolidated financial statements in accordance with IFRS, certain estimates and assumptions concerning the future need to be made. The actual amounts can differ from the estimates and assumptions. 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.

The most significant areas where management has exercised judgment when applying the accounting policies are related to determining depreciation periods and classifying asset items as held for sale or discontinued operation, as well as in classifying the hybrid loan as equity and joint arrangements as joint operations.

The management has exercised judgment during the financial period when translating the functional currency of the Group's Russian real estate operations to the rouble from the euro that was previously used. The change was implemented as of 1 February 2016 when the sale of the Russian department store was completed. The effect of the change of the functional currency was treated non-retroactively, meaning that all items were translated from euros to roubles using the exchange rate prevailing on the date when the functional currency was changed. The arising non-monetary items are treated as the amounts based on their original acquisition costs. The change had no impact on the Group's equity.

Judgment has also been exercised when classifying a property used by the Group for its own purposes as an investment property. Since the completion of the sale of the Russian department store business, the Nevsky Centre shopping centre property in St Petersburg has no longer been used by the Group for its own retail or administrative purposes; instead it is being held for lease income and appreciation in value. As of 1 February 2016, the Group has classified the Nevsky Centre shopping centre property as an investment property in accordance with IAS 40. The investment property is recognised at fair value on the balance sheet. The fair value of an investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. Investment properties are not depreciated, but any gains or losses due to changes in fair value are recognised through profit or loss for the period during which they arise.

The principal assumptions concerning the future and the main uncertainties relating to estimates at the end of the reporting period that constitute a significant risk of causing a material change in the carrying amounts of assets and liabilities within the next financial year concern the fair values of properties, inventories and provisions, as well as the impairment testing of goodwill and the Lindex brand. More detailed information on these is provided in notes 13,14,18 and 24.

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. The criteria for control are fulfilled when the Group is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity.

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 recognised 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, unrealised 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's reportable segments are Fashion Chains (Lindex), which engages in the fashion trade, Stockmann Retail, which engages in the department store trade and distance retailing, and the Real Estate segment, which manages the use of space in the properties owned by the Group. Unallocated items include 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 recognised 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 recognised 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 recognised 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 recognised in the income statement as part of the gain or loss on disposal.

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

Income recognition principles and revenue

Revenue from the sale of goods is recognised 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 recognised 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 recognised in revenue.

Income from Loyal Customer cooperation is recognised as revenue. An amount corresponding to the fair value of unused bonus points accumulated by customers is recognised, with a deduction from sales, as short-term interest-free debt for customers. The debt is recognised 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 recognised 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 recognised as a sale and a reduction of a short-term debt.

Lease income of lease agreements classified as operating leases from investment and other properties is recognised on the income statement as revenue in even instalments over the lease term. Lease income tied to the tenant's revenue will be recognised on the basis of the tenant's actual revenue.

Income from services is recognised 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 revaluation of investment property, 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 revaluation of investment property, 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 recognised as a reduction in other operating expenses.

Employee benefits

Pension obligations

Pension plans are classified as defined benefit and defined contribution plans. In Stockmann Group's 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 recognised 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 authorised actuaries. 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 recognised in the income statement and presented as expenses arising from employee benefits. The net debt of the defined benefit pension plan is entered in the statement of financial position. The Group had no defined benefit pension plans in the 2016 financial year.

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 recognised as a liability in the statement of financial position. Items arising from the definition of a liability are recognised in the income statement.

Equity compensation benefits and share-based payments

Share options granted for the Group's key employees are measured at fair value at the time they are granted and recognised 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 recognised in employee benefit expenses and a corresponding amount is recognised 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 recognised, adjusted for any transaction costs, in the share capital and the reserve for invested unrestricted equity, in accordance with the terms of each scheme.

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 investment property and other 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 tax liability on the difference between investment properties' carrying amount and tax base represents the tax effects of the cumulative amount in full corresponding to the carrying amount if the investment property is sold.

Deferred taxes are not recognised 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 recognised 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 recognised 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 realise the receivables and pay the debts at the same time.

Provisions

A provision is recognised 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 realised 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 amortised. 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 amortised on a straight-line basis over their estimated useful lives.

The amortisation 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 capitalised 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 recognised 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 recognised in the income statement as expenses when they are incurred.

Land areas and buildings in own use 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 recognised in profit and 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 recognised 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

Investment property

When the Group holds a land area or building for lease income and appreciation in value rather than using it for its own retail or administrative purposes, the property is classified as an investment property in accordance with IAS 40.

An investment property is initially valued at acquisition cost. The acquisition cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. The acquisition cost of a self-constructed investment property is the acquisition cost accumulated at the date that construction or development is completed. IAS 16 is applied to the investment property up until the day of completion and IAS 40 is applied as of the day of completion.

The Stockmann Group applies the fair value model to its investment properties. The fair value of an investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. The fair value of an investment property reflects the actual market state and circumstances on the balance sheet date but does not include any transaction costs that would arise in connection with the sale or other transfer.

The fair value of investment properties is determined by professionally qualified and independent external valuers for all market areas by property. The revaluation of properties at fair value is based on the market standards valid at each valuation date, which have been defined by the International Valuation Standard Committee.

Investment properties are not depreciated, but any gains or losses due to changes in fair value are recognised through profit or loss for the period during which they arise.

When a property in the Group's own use becomes an investment property recognised at fair value on the balance sheet, IAS 16 will be applied up to the date on which the property's purpose of use changes.
The difference between the property's carrying value and its fair value at that period will be recognised in the statement of comprehensive income. Depreciation and any impairment losses will be recognised for the property up to the date on which a property in the Group's own use becomes an investment property recognised at fair value on the balance sheet.

Since the completion of the sale of the Russian department store business, the Nevsky Centre shopping centre property in St Petersburg has no longer been used by the Group for its own retail or administrative purposes; instead it is being held for lease income and appreciation in value. Therefore, the Group classified the Nevsky Centre shopping centre property as an investment property in accordance with IAS 40 on 1 February 2016.

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 recognised 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 recognised 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 recognised 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 recognised 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 recognised in property, plant and equipment or in intangible assets, and the obligations under the agreement are recognised 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 recognised 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 recognised on assets obtained through a finance lease and any impairment losses are recognised. 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 recognised as income or expenses in the income statement.

Inventories

Inventories are measured at the lower of acquisition cost and net realisable value. In normal operations the net realisable 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 inventories rate and the potential decline of the net realisable value below the acquisition cost are estimated regularly and if necessary an impairment is recognised for inventories. Lindex recognises a provision for obsolete inventories, which is a percentage of the acquisition price of the goods in the stores. A provision for obsolete inventories is not recognised at Lindex's central warehouse as all the goods are transported from the central warehouse to the stores. Retail recognises a provision for obsolete inventories, which is a percentage of the acquisition price of the slow moving goods in the central warehouse and department stores.

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. The acquisition cost of inventories does not include borrowing costs.

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.

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 amortised 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 recognised 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 recognised in the income statement as an impairment loss by recognising 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 recognised 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 recognised 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 recognised 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 recognised.

Purchases and sales of financial assets are recognised 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 derecognised 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 recognised in the accounts. Transaction costs are included in the original carrying amount of interest-bearing liabilities. Subsequently, interest-bearing liabilities are measured at amortised 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 recognised 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 recognised 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 recognised 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 recognised in the statement of comprehensive income and presented in the fair value reserve under equity, and any ineffective component is recognised recognisthrough profit or loss. Cumulative changes in fair value in equity are recognised 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 recognised in the income statement. If a hedged cash flow is no longer expected to be realized, the related fair value change that has been recognised 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 recognised 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 recognised 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.

Hybrid bond

A hybrid bond is an instrument which is presented under equity in the consolidated financial statements. A hybrid bond is subordinated to the company's other debt obligations, but has seniority over other equity items. The yield on a hybrid bond is paid if the Group distributes a dividend. If no dividend is distributed, the Group will make a separate decision on whether to pay the yield. Unpaid yields are accumulated. The holders of a hybrid bond do not possess the same rights as shareholders concerning control or voting at General Meetings of shareholders.

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 recognised in equity.

Dividends payable

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

Application of new or revised IFRS standards and interpretations

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

IFRS 15 Revenue from Contracts with Customers, which applies to financial periods beginning on or after 1 January 2018. The new standard replaces the current IAS 18 and IAS 11 standards and related interpretations. IFRS 15 provides a five-step model outlining the amount and the timing of revenue recognition. According to the new standard, revenue is recognised as control is passed, either over time or at a point in time. The standard also increases the number of disclosures required.

During the 2016 financial period, the Group has assessed the effects of the new standard on the consolidated financial statements. Most of the Group's revenue comes from the retail sale of goods that are paid for with cash or credit card, and the revenue is recognised at the time of sale as control is transferred to the buyer. The Group is currently analysing the effects of the new standard regarding the accounting practices for various loyal customer programmes and campaigns. The new standard may have an effect on the timing of the sale if it includes several payment obligations or variable considerations, but the Group assesses that the new standard will not have a significant effect on the accounting principles. The current practice of a return accrual, which is based on experience in distance retailing and serves to adjust the sales and acquisition price is considered to correspond to the recognition principles of the new standard.

The Stockmann Group will apply the new standard as of 1 January 2018. According to the preliminary plan, the Group will select the transition method according to IFRS 15 C3 b), the so-called cumulative effect approach, according to which the effect of the transition on the Group's equity will be recognised as an adjustment to retained earnings in the opening balance on 1 January 2018. The comparison year will not be adjusted as the new standard will be applied to contracts that are not completed at the start of the application of IFRS 15.

Amendments to IFRS 15 – Clarifications to IFRS 15 Revenue from Contracts with Customers, which applies to financial periods beginning on or after 1 January 2018. The clarifications are included in assessment of the effects of IFRS 15 described above. The standard had not been approved for application in the EU on 31 December 2016.

IFRS 9 Financial instruments and amendments made to the standard, which applies to financial periods beginning on or after 1 January 2018. IFRS 9 replaces the current IAS 39. The new standard includes revised guidelines for 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 recognised 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 no material effect on the consolidated financial statements.

IFRS 16 Leases, which applies to financial periods beginning on or after 1 January 2019. The new standard replaces IAS 17 and the related interpretations. The IFRS 16 standard requires lessees to recognise leases on the balance sheet as a lease payment liability and as the right-of-use assets. The recognition in the balance sheet is very similar to the accounting of finance lease agreements according to IAS 17. There are two recognition exemptions, concerning short-term leases with a maximum lease term of 12 months and leases where the value of the underlying assets is a maximum of USD 5,000. Lessor accounting will remain substantially unchanged from the current IAS 17. The Group has started assessing the effects of the standard. When leases are recognised in the Group's balance sheet, the Group's assets and liabilities will increase significantly. The standard had not been approved for application in the EU on 31 December 2016.

Amendment to IAS 7 Statement of Cash Flows – Disclosure Initiative, which applies to financial periods beginning on or after 1 January 2017. The aim of the amendments is to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendment will affect the notes to the consolidated financial statements. The standard had not been approved for application in the EU on 31 December 2016.

Amendment to IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses, effective in financial periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the balance sheet date, and is not affected by possible future changes in the asset's carrying amount or the way in which an amount corresponding to the carrying amount accumulates in the future. The amendment to the standard has no effect on the consolidated financial statements. The standard had not been approved for application in the EU on 31 December 2016.

Amendments to IFRS 2 Share-based Payment - Clarification and Measurement of Share-based Payment Transactions, which applies to financial periods beginning on or after 1 January 2018. The amendments clarify the accounting for certain types of arrangements. The amendments concern three areas: valuation of cash-settled payments, share-based payments with tax at source deducted and changing cash-settled share-based payments to equity-settled share-based payments. The amendment to the standard has no effect on the consolidated financial statements. The standard had not been approved for application in the EU on 31 December 2016.

Interpretation of IFRIC 22, Foreign Currency Transactions and Advance Consideration, which applies to financial periods beginning on or after 1 January 2018. When a foreign currency advance consideration related to an asset, expense or income is received or paid, IAS 21 The Effects of Changes in Foreign Exchange Rates does not provide an opinion on the date of the transaction, for the purpose of determining the exchange rate. The interpretation clarifies that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the prepayment asset or deferred income liability arising from the advance consideration. If a transaction is made up of several advance considerations, the date of the transaction is determined separately for each individual consideration. The amendment to the standard has no effect on the consolidated financial statements. The standard had not been approved for application in the EU on 31 December 2016.

Amendments to IAS 40 Investment Property – Transfers of Investment Property, which applies to financial periods beginning on or after 1 January 2018. The amendments clarify that changes in the intentions of the management alone is not enough to indicate a change in use of the investment property. The examples of a change in use listed in the standard have also been changed so that they also refer to a property under construction as well as a completed property. The amendment to the standard has no effect on the consolidated financial statements. The standard had not been approved for application in the EU on 31 December 2016.

The Annual Improvements to IFRSs 2014–2016, which for IFRS 12 applies to financial periods beginning on or after 1 January 2017, and for IFRS 1 and IAS 28 for financial periods beginning on or after 1 January 2018. In the Annual Improvements process, minor and non-urgent amendments to standards are compiled into a single package and applied once a year. The amendments cover three standards. The effects of the amendments vary by standard, but they are not significant. The standard had not been approved for application in the EU on 31 December 2016.

2. Segment information

Operating segments

The Stockmann Group's organisational and reporting structure was revised as of 1 January 2015. Previously, Stockmann Retail and Real Estate were reported as a single Department Store Division, with the Group's other reportable segment being the Fashion Chains division. Since 1 January 2015, the Stockmann Group's reportable segments have been Fashion Chains, Stockmann Retail, and Real Estate. Segments 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.

Fashion Chains

The Lindex fashion chain has a total of 475 stores in 16 countries. Lindex's mission is to offer inspiring affordable fashion. Its range of women's wear, lingerie, children's wear and cosmetics consists of a variety of concepts. The Seppälä fashion chain was included in the segment until 1 April 2015.

Stockmann Retail

Stockmann has 9 department stores in three countries and the Stockmann online store. 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. Stockmann Retail also includes the Hobby Hall distance retailing business in Finland. In the financial statements 7 department stores in Russia have been classified as discontinued operations. The divestment of the Russian department store business was completed in February and Hobby Hall at the year-end 2016.

Real Estate

The Real Estate division comprises the properties owned by the Group in Helsinki, St Petersburg, Tallinn and Riga. These properties are used by the Stockmann department stores and external tenants.

Information on market areas

In addition to Finland, the Group operates in two geographical regions: Sweden and Norway as well as Baltics, Russia, and other countries.

Operating segments, EUR mill.

Revenue	2016	2015
Fashion Chains	633,2	668,4
Stockmann Retail	635,7	740,8
Real Estate	60,1	59,3
Segments, total	1 329,0	1 468,5
Unallocated	0,0	0,3
Eliminations	-25,8	-34,0
Group total	1 303,2	1 434,8

Operating profit	2016	2015
Fashion Chains	54,9	30,5
Stockmann Retail	-49,8	-72,9
Real Estate	21,1	16,3
Segments, total	26,2	-26,1
Unallocated	-8,6	-26,4
Group total	17,6	-52,5

Reconciliation to the item profit/loss before tax:		
Financial income	0,8	0,9
Financial expenses	−23,9	−22,1
Consolidated profit/loss before taxes	−5,5	−73,7

Depreciation and amortisation	2016	2015
Fashion Chains	19,9	22,3
Stockmann Retail	14,7	17,8
Real Estate	21,6	27,4
Segments, total	56,2	67,5
Unallocated	3,0	4,4
Group total	59,2	71,9

Investments, gross	2016	2015
Fashion Chains	17,7	21,9
Stockmann Retail	21,2	25,8
Real Estate	5,3	4,8
Segments, total	44,1	52,5
Unallocated	0,1	1,0
Group, total	44,2	53,4

Assets	2016	2015
Fashion Chains	1 008,9	1 038,4
Stockmann Retail	217,2	209,6
Real Estate	947,9	917,3
Segments, total	2 174,0	2 165,3
Unallocated	67,2	74,6
Non-current assets classified as held for sale		34,0
Group, total	2 241,2	2 273,9

Information on market areas, EUR mill.

Revenue	2016	2015
Finland	631,9	743,2
Sweden* and Norway	503,4	512,6
Baltic countries, Russia and other countries	167,9	179,0
Group total	1 303,2	1 434,8
Finland, %	48,5	51,8
International operations, %	51,5	48,2

Operating profit	2016	2015
Finland	−49,9	−102,9
Sweden and Norway	59,5	55,4
Baltic countries, Russia and other countries	7,9	−5,0
Group total	17,6	−52,5

Non-current assets	2016	2015
Finland	801,0	771,4
Sweden and Norway	843,6	878,6
Baltic countries, Russia and other countries	297,2	299,9
Group, total	1 941,7	1 949,9
Finland, %	41,3	39,6
International operations, %	58,7	60,4

* includes the sales of goods and services to the franchising partners in Central Europe and Middle East

3. Non-current assets classified as held for sale and discontinued operations

On 1 February 2016 Stockmann sold its department store operations in Russia to Reviva Holdings Limited. The Russian department store business has been classified as discontinued operations in the financial statements for the year ended 31 December 2016 as well as comparison figures in 2015. Discontinued operations are presented separately from continuing operations.

Stockmann sold the business operations of Hobby Hall to the SGN Group on 31 December 2016. The transaction price did not have a significant effect on Stockmann's earnings.

Assets related to store operations in Russia and Hobby Hall are classified as assets held for sale on the balance sheet of the comparison year 2015.

Assets held for sale and discontinued operations

EUR mill.	2016	2015
Discontinued operations		
Profit/loss for the financial period from discontinued operations		
Income	13,2	177,4
Expenses	12,8	186,4
Profit/loss before and after taxes	0,4	-9,0
Intra-group charges and rent income are eliminated and therefore they are not included in income nor expenses.		
Profit/loss relating to the sales of Retail Russia after income tax	14,6	-77,2
Result from discontinued operation	15,0	-86,1
Cash flows from discontinued operations		
Cash flow from operations	0,0	-11,7
Cash flow from investments	6,0	1,1
Cash flow from financing		8,3
Cash flow total	6,0	-2,3
Discontinued operations, assets classified as held for sale and relating liabilities		
Current receivables		13,3
Current liabilities		23,4
Net assets		-10,1
Other assets classified as held for sale and the relating liabilities		
Intangible assets and property, plant and equipment		0,6
Inventories		10,9
Other receivables		8,5
Cash and cash equivalents		0,7
Other liabilities		21,0
Net assets		-0,3

4. Revenue

EUR mill.	2016	2015
Sales of goods	1 241,6	1 385,7
Rental income and service charges	61,5	49,0
Total	1 303,2	1 434,8
Of which		
Investment property rentals and service charges	19,5	

5. Other operating income

EUR mill.	2016	2015
Gain on sale of property, plant and equipment	1,3	0,2
Total	1,3	0,2

6. Gross margin

EUR mill.	2016	2015
Revenue	1 303,2	1 434,8
Raw material and consumables used	608,7	709,4
Gross margin	694,4	725,4
Gross margin, % of revenue	53.3%	50.6%

7. Wages, salaries and other employee benefits expenses

EUR mill.	2016	2015
Wages and salaries	225,8	251,6
Pension expenses, defined contribution plans	25,0	30,3
Other employee benefits expenses	39,7	39,6
Expenses for share option benefits		0,0
Total	290,5	321,5

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 31, Related party transactions.

8. Depreciation, amortisation and impairment losses

EUR mill.	2016	2015
Intangible assets	11,3	11,3
Buildings and constructions	22,3	26,7
Investment properties	-0,8	
Machinery and equipment	25,2	28,2
Modification and renovation costs for leased premises	1,2	5,7
Depreciation and amortisation, total	59,2	71,9

9. Other operating expenses

EUR mill.	2016	2015
Site expenses	195,1	209,1
Marketing expenses	53,6	59,0
Goods handling expenses	14,5	16,7
Credit losses	0,3	1,5
Voluntary social security	4,6	4,6
Direct maintenance expenses of investment property	2,3	
Fair value loss on investment property	0,3	
Other expenses	57,5	93,9
Total	328,4	384,8

Fees to the auditors

EUR mill.	2016	2015
Auditing	0,4	0,5
Certificates and statements	0,1	0,1
Tax advisory	0,3	0,5
Other services	0,1	0,2
Total	0,9	1,3

10. Financial income and expenses

Financial income

EUR mill.	2016	2015
Dividend income on available-for-sale investments	0,1	0,1
Interest income on bank deposits, other investments and currency derivatives	0,7	0,6
Change in fair value of financial assets at fair value through profit or loss		0,2
Total	0,8	0,9

Financial expenses

EUR mill.	2016	2015
Interest expenses on financial liabilities measured at amortised cost	-17,5	-19,0
Impairment loss on loans and receivables	-5,0	0,0
Change in fair value of financial assets at fair value through profit or loss	-0,2	
Other financial expenses		-2,9
Foreign exchange differences	-1,2	-0,1
Total	-23,9	-22,1

Financial income and expenses, total

EUR mill.	2016	2015
Financial income and expenses, total	-23,1	-21,2

11. Income taxes

EUR mill.	2016	2015
Income taxes for the financial period	-10,1	-8,2
Income taxes from previous financial periods	-4,8	-19,3
Change in deferred tax liability/assets	2,2	12,3
Total	-12,7	-15,1

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.	2016	2015
Profit before taxes	-5,5	-73,7
Income taxes at current tax rate	0,8	14,7
Income taxes from previous financial periods	-4,8	-19,3
Tax-exempt income	0,8	0,5
Differing tax rates of foreign subsidiaries	-0,4	0,7
Non-deductible expenses	-4,6	-11,6
Unrecognised deferred tax assets from losses in taxation	-4,5	0,0
Reverse of deferred tax relating to previous financial periods		-0,3
Income taxes in the income statement	-12,7	-15,1

The Stockmann Group has received tax reassessment decisions from the Finnish and Swedish tax authorities requiring the Group companies to pay EUR 21.3 million in additional taxes, including punitive tax increases and EUR 1.0 million of related interest. Stockmann considers the decisions unfounded and has appealed against them. The total additional tax is booked in the financial statements and result for the periods for 2015 and 2016.

12. Earnings per share

Earnings per share are calculated by dividing the profit for the period attributable to the parent company's shareholders less the tax-adjusted interest on hybrid bond 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	2016	2015
Profit/loss for the period attributable to the equity holders of the parent company	-3 196 896	-175 013 006
Accrued interest on the hybrid bond	-6 841 700	-269 980
Tax effect	1 368 340	53 996
Net effect	-5 473 360	-215 984
	-8 670 256	-175 228 990
Share issue-adjusted number of outstanding shares, weighted average, thousands	72 048 683	72 048 683
Earnings per share for profit attributable to the ordinary equity holders of the parent company		
From continuing operations (undiluted and diluted)	-0,33	-1,24
From discontinued operations (undiluted and diluted)	0,21	-1,20
From the period result (undiluted and diluted)	-0,12	-2,43

13. Intangible assets

Goodwill

EUR mill.	2016	2015
Acquisition cost 1.1.	764,7	748,1
Translation difference +/–	–29,1	16,6
Acquisition cost 31.12.	735,6	764,7
Carrying amount 1.1.	764,7	748,1
Carrying amount 31.12.	735,6	764,7

Trademark

EUR mill.	2016	2015
Acquisition cost 1.1.	99,3	97,1
Translation difference +/–	–3,8	2,2
Acquisition cost 31.12.	95,5	99,3
Accumulated amortisation 1.1.	–0,3	–0,3
Translation difference +/–	0,0	0,0
Accumulated amortisation 31.12.	–0,3	–0,3
Carrying amount 1.1.	98,9	96,8
Carrying amount 31.12.	95,2	98,9

Impairment testing

The Stockmann Group's reportable segments under IFRS 8, fashion chain Lindex and Stockmann Retail for department store and distance retail business, 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 710.6 million of goodwill was allocated to the Lindex and EUR 25 million of goodwill to Stockmann Retail.

The Lindex trademark of EUR 95.2 million is allocated in its entirety to the Lindex segment. The Lindex brand is deemed to have an indefinite useful life due to high brand awareness. The Lindex brand has existed more than 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 Lindex and the Stockmann Retail 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. Lindex's cash flows beyond this management-approved forecast period were extrapolated using a steady 1.7 per cent growth rate and Stockmann Retail's cash flows beyond approved forecast period were extrapolated using a steady 1.5 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 department stores and 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 capital structure in retail industry

The discount rate determined is a pre-tax rate. The discount rate of Lindex is based on the market interest rate and country-specific risk pertaining to Sweden and Finland; the discount rate used for Lindex is 8.1 per cent (6.5% in 2015). The discount rates of Stockmann Retail are based on the market interest rate in Finland and country-specific risk. The discount rate used for the Stockmann Retail is 8.0 per cent (6.7% in 2015).

Due to the challenging competition and general economic situation affecting consumers' purchasing behaviour and purchasing power and the increase of discount rate in 2016, any changes in the variables used can lead to a situation in which the recoverable amounts of both Lindex and Stockmann Retail would be less than the segment's carrying amount which leads to need for impairment.

A sensitivity analysis was carried out on Lindex and Stockmann Retail 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 Lindex were 12 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 1.2 percentage points, the combined total of the carrying amount of the non-current assets and the working capital would exceed the recoverable amount of the unit. If the sales growth of Stockmann Retail were 10 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 1.1 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.	2016	2015
Acquisition cost 1.1.	89,2	95,7
Translation difference +/-	-1,0	0,5
Increases 1.1.-31.12.	3,7	3,6
Decreases 1.1.-31.12.	-10,5	-11,4
Transfers between items 1.1.-31.12.	4,3	2,3
Transfers to non-current assets classified as held for sale		-1,4
Acquisition cost 31.12.	85,8	89,2
Accumulated amortisation 1.1.	-40,5	-35,6
Translation difference +/-	0,2	-0,4
Amortisation on disposals	10,7	11,0
Accumulated amortisation on transfers to non-current assets classified as held for sale		1,6
Amortisation for the financial period	-10,8	-17,1
Accumulated amortisation 31.12.	-40,5	-40,5
Carrying amount 1.1.	48,7	60,0
Carrying amount 31.12.	45,3	48,7

Other intangible assets

EUR mill.	2016	2015
Acquisition cost 1.1.	8,7	8,3
Translation difference +/–	–0,3	0,2
Increases 1.1.–31.12.		0,2
Decreases 1.1.–31.12.	–0,2	
Acquisition cost 31.12.	8,3	8,7
Accumulated amortisation 1.1.	–7,5	–7,2
Translation difference +/–	0,2	–0,1
Amortisation on disposals	0,1	1,6
Amortisation for the financial period	–0,2	–1,8
Accumulated amortisation 31.12.	–7,3	–7,5
Carrying amount 1.1.	1,2	1,1
Carrying amount 31.12.	1,0	1,2

Other intangible assets, finance lease

EUR mill.	2016	2015
Acquisition cost 1.1.	3,2	3,2
Acquisition cost 31.12.	3,2	3,2
Accumulated amortisation 1.1.	–0,7	–0,4
Translation difference +/–		0,0
Amortisation on disposals		0,0
Amortisation for the financial period	–0,3	–0,3
Accumulated amortisation 31.12.	–1,0	–0,7
Carrying amount 1.1.	2,5	2,8
Carrying amount 31.12.	2,2	2,5

Advance payments and construction in progress

EUR mill.	2016	2015
Acquisition cost 1.1.	1,9	3,3
Increases 1.1.–31.12.	6,2	3,1
Decreases 1.1.–31.12.	–0,1	–0,3
Transfers between items 1.1.–31.12.	–4,3	–4,3
Acquisition cost 31.12.	3,7	1,9
Carrying amount 1.1.	1,9	3,3
Carrying amount 31.12.	3,7	1,9

EUR mill.	2016	2015
Intangible assets, total	883,1	917,9

In 2016, advance payments for intangible assets and construction in progress included the following significant items:

- development of ICT systems
- development of Stockmann.com distance retail

In 2015, advance payments for intangible assets and construction in progress included the following significant items:

- development of Stockmann.com distance retail

14. Property, plant and equipment

Land and water

EUR mill.	2016	2015
Acquisition cost 1.1.	140,4	43,1
Fair value valuation of the real estates 1.1.		96,0
Acquisition cost at the beginning of the period total	140,4	139,1
Fair value change from revaluation of the real estates 31.12.	4,9	1,1
Translation difference +/–		0,0
Increases 1.1.–31.12.		0,3
Decreases 1.1.–31.12.	–1,0	–0,1
Reclassification to investment property	–30,0	
Acquisition cost 31.12.	114,3	140,4
Carrying amount 1.1.	140,4	43,1
Carrying amount 31.12.	114,3	140,4

Share of the fair value valuation was EUR 94.1 million (EUR 97.1 million).

Buildings and constructions

EUR mill.	2016	2015
Acquisition cost 1.1.	929,4	554,2
Fair value valuation of the real estates 1.1.		342,3
Acquisition cost at the beginning of the period total	929,4	896,5
Fair value change from revaluation of the real estates 31.12.	43,4	33,6
Translation difference +/–	0,0	0,0
Increases 1.1.–31.12.	0,0	0,2
Decreases 1.1.–31.12.	–2,7	–2,5
Reclassification to investment property	–173,2	
Transfers between items 1.1.–31.12.	7,8	1,6
Acquisition cost 31.12.	804,6	929,4
Accumulated amortisation 1.1.	–151,6	–127,3
Translation difference +/–	0,0	0,0
Depreciation on disposals	1,8	2,4
Reclassification to investment property	22,2	
Depreciation for the financial period	–22,3	–26,7
Accumulated amortisation 31.12.	–149,9	–151,6
Carrying amount 1.1.	777,8	426,9
Carrying amount 31.12.	654,8	777,8

Share of the fair value valuation was EUR 395.3 million (EUR 375.9 million).

Land areas and buildings have been carried on the balance sheet at the revalued amount in accordance with standard IAS 16 paragraph 31. 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. The valuation is carried out by authorised property valuers in each market based on ten years discounted cash flows. The weighted average market yield requirement used in the fair value calculation of all properties including investment property was 5.7 per cent (6.0 per cent). In the fair value hierarchy the valuation of land areas and buildings is categorised within level 3.

Revaluation is made according to standards determined by the International Valuation Standard Committee.

Independent valuers calculate the fair value for each land area and building using the data provided by Stockmann:

- revenue and operating profit of real estate business including rent income and maintenance expenses of properties
- budget of the real estate business
- rent agreements in force
- investment history of properties
- calculations of investments for new tenants
- a ten years plan for improvements of properties

The revaluation is made annually or whenever there is any sign that the fair value differs from the carrying amount of land areas and buildings. Several independent professional valuers make valuations and Stockmann Real Estate reviews them and presents recommended fair values to Stockmann Board. The Board evaluates valuations and confirms fair values which are used in the revaluation.

Straight-line depreciation is recognised on building in accordance with useful life. Land areas are not depreciated.

Machinery and equipment

EUR mill.	2016	2015
Acquisition cost 1.1.	226,4	284,2
Translation difference +/-	-0,3	-0,4
Increases 1.1.-31.12.	14,4	19,8
Decreases 1.1.-31.12.	-8,6	-19,7
Transfers between items 1.1.-31.12.	30,2	8,7
Transfers to non-current assets classified as held for sale		-66,2
Acquisition cost 31.12.	262,2	226,4
Accumulated amortisation 1.1.	-163,2	-203,4
Translation difference +/-	-0,9	0,7
Depreciation on disposals	8,0	13,8
Accumulated depreciation on transfers to non-current assets classified as held for sale		59,5
Depreciation for the financial period	-25,2	-33,8
Accumulated amortisation 31.12.	-181,2	-163,2
Carrying amount 1.1.	63,2	80,9
Carrying amount 31.12.	81,0	63,2

Modification and renovation costs of leased premises

EUR mill.	2016	2015
Acquisition cost 1.1.	39,3	110,2
Translation difference +/-	0,0	0,0
Increases 1.1.-31.12.	0,4	0,3
Decreases 1.1.-31.12.	-4,5	-12,3
Transfers between items 1.1.-31.12.	2,2	1,6
Transfers to non-current assets classified as held for sale		-60,4
Acquisition cost 31.12.	37,5	39,3
Accumulated amortisation 1.1.	-33,8	-83,7
Translation difference +/-	0,0	
Depreciation on disposals	3,7	10,7
Accumulated depreciation on transfers to non-current assets classified as held for sale		48,6
Depreciation for the financial period	-1,2	-9,4
Accumulated amortisation 31.12.	-31,3	-33,8
Carrying amount 1.1.	5,5	26,5
Carrying amount 31.12.	6,1	5,5

Advance payments and construction in progress

EUR mill.	2016	2015
Acquisition cost 1.1.	29,3	13,2
Increases 1.1.–31.12.	20,3	25,9
Decreases 1.1.–31.12.	-0,4	0,0
Transfers between items 1.1.–31.12.	-40,5	-9,8
Transfers to non-current assets classified as held for sale		0,0
Acquisition cost 31.12.	8,7	29,3
Carrying amount 1.1.	29,3	13,2
Carrying amount 31.12.	8,7	29,3

EUR mill.	2016	2015
Property, plant and equipment, total	864,9	1 016,2

In 2016, advance payments for plant, property and equipment and construction in progress included the following significant items:

- building and modification costs of Tapiola department store in Finland
- equipment investments of the distribution centre in Finland
- modification and renovation costs for other department stores and real estate premises in Finland.

In 2015, advance payments for plant, property and equipment and construction in progress included the following significant items:

- building costs of the distribution centre in Finland
- modification and renovation costs for department stores and real estate premises in Finland.

15. Investment property

EUR mill.	2016	2015
Reclassification from land	30,0	
Reclassification from buildings	151,0	
Fair value valuation	0,5	
Other changes	-0,6	
Fair value at 31.12.	181,0	

Share of the fair value valuation was EUR 31.9 million. The revaluation is carried out in euros since most of the revenue from the leasing operations in Nevsky Centre is based on lease agreements defining the rent in euros.

When the Group holds a land area or building for lease income and appreciation in value rather than using it for its own retail or administrative purposes, the property is classified as an investment property in accordance with IAS 40.

The Stockmann Group applies the fair value model to its investment properties. The fair value of an investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. The fair value of an investment property reflects the actual market state and circumstances on the balance sheet date but does not include any transaction costs that would arise in connection with the sale or other transfer. The fair value of investment properties is determined by professionally qualified and independent external valuers for all market areas by property.

The revaluation of properties at fair value is based on the market standards valid at each valuation date, which have been defined by the International Valuation Standard Committee. Independent valuers calculate the fair value for each land area and building using the data provided by Stockmann:

- revenue and operating profit of real estate business including rent income and maintenance expenses of properties
- budget of the real estate business
- rent agreements in force
- investment history of properties
- calculations of investments for new tenants
- a ten years plan for improvements of properties

The weighted average market yield requirement used in the fair value calculation of all properties including properties valued according to IAS 16 was 5.7 per cent. In the fair value hierarchy the valuation of land areas and buildings is categorised within level 3.

Since the completion of the sale of the Russian department store business, the Nevsky Centre shopping centre property in St Petersburg has no longer been used by the Group for its own retail or administrative purposes; instead it is being held for lease income and appreciation in value. Therefore, the Group classified the Nevsky Centre shopping centre property as an investment property in accordance with IAS 40 on 1 February 2016.

16. 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 operation 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 both 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.	2016	2015
Non-current assets	16,0	16,6
Current assets	0,5	0,6
Non-current liabilities	5,3	7,2
Current liabilities	0,2	0,2

Fair value in the revaluation of non-current assets on 31 December 2016 was EUR 46.2 million (EUR 44.2 million).

Income and expenses of joint operations

EUR mill.	2016	2015
Income	3,3	3,3
Expenses	2,0	2,1

17. Available-for-sale investments

EUR mill.	2016	2015
Carrying amount 1.1.	5,4	7,8
Translation difference +/-	0,3	0,0
Sale of shares	-0,2	-0,1
Fair value change		-1,6
Transfers to non-current assets held for sale	0,0	-0,6
Total	5,5	5,4

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

18. Inventories

EUR mill.	2016	2015
Materials and consumables	180,7	170,7
Advance payments for inventories	0,0	0,0
Total	180,7	170,8

The value of inventories has been written off by EUR 7.5 million for obsolete assets (EUR 11.1 million in 2015).

19. Current receivables

EUR mill.	Carrying amount 2016	Fair value 2016	Carrying amount 2015	Fair value 2015
Interest-bearing trade receivables	1,6	1,6	1,6	1,6
Non-interest-bearing trade receivables	14,3	14,3	16,7	16,7
Receivables based on derivative contracts	7,5	7,5	1,7	1,7
Other receivables	4,0	4,0	2,2	2,2
Prepayments and accrued income	32,9	32,9	33,1	33,1
Income tax receivables	0,0	0,0	0,2	0,2
Available-for-sale investments				
Current receivables, total	60,3	60,3	55,5	55,5

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 of EUR 1.6 million consist only of one-time credits on distance retail sales in 2016 (EUR 1.6 million in 2015). Interest income on these receivables is included in the selling price and recognised in revenue instead of interest income.

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

20. Cash and cash equivalents

EUR mill.	2016	2015
Cash on hand and at banks	18,5	16,6
Short term deposits	1,7	2,5
Total	20,2	19,1

Cash and cash equivalents in the Cash Flow Statement

EUR mill.	2016	2015
Cash and cash equivalents	20,2	19,1
Overdraft facilities	-5,7	-4,1
Total	14,5	15,0

21. Equity

EUR mill.	Number of shares	Share capital	Share premium fund	Invested unrestricted equity fund	Total
31 Dec. 2014	72 048 683	144,1	186,1	250,4	580,6
-					
31 Dec. 2015	72 048 683	144,1	186,1	250,4	580,6
-					
31 Dec. 2016	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 31 December 2016

pcs	2016	2015
Series A shares	30 530 868	30 553 216
Series B shares	41 517 815	41 495 467
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.

The Board of Directors of Stockmann plc approved in its meeting on 18 December 2015 to convert 22 348 Series A shares of Stockmann plc to Series B shares. The conversions of shares were registered in the Trade Register on 10 February 2016.

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.

Revaluation surplus

As of 1 January 2015, Stockmann has applied the revaluation model as prescribed by the IAS 16 standard to its properties. The increase in the carrying amount as a result of revaluation, net of tax liability, is recognised in the revaluation surplus in equity.

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.	2016	2015
Reserve fund	0,2	0,2
Hedging reserve	1,5	0,6
Other funds	43,7	43,7
Total	45,4	44,6

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.

Hybrid bond

Total equity includes EUR 85 million hybrid bond issued in December 2015. The hybrid bond recognised in equity is EUR 84.3 million due to issuing expenses. The coupon rate of the bond is 7.75 per cent per annum until 31 January 2020. Stockmann can postpone interest payment, if it does not distribute dividends or any other equity to its shareholders. The bond has no maturity date, but the company has the right to redeem it earliest on 31 January 2020. The hybrid bond is unsecured and subordinated to the company's other debt obligations. A holder of hybrid bond notes has no shareholder rights. The accrued non recognised interest on the bond was EUR 6.8 million at 31 December 2016 (2015: EUR 0.3 million). The accrued interest of EUR 7.4 million was paid out in January 2017.

Dividends

After the balance sheet date, the Board of Directors proposed on 14 February, 2017 not to pay out a dividend for year 2016.

Share-based payment

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

Share option programmes

Stockmann has Key employee share option programme 2010 on-going for key employees in the Stockmann Group.

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 2016, which means that the subscription price is EUR 16.50 per share for the share option 2010C.

Changes in share options during the financial period

	2016 Number of Options	Subscription price as weighted average EUR/share	Turnover weighted share price during subscription period EUR/share	2015 Number of Options	Subscription price as weighted average EUR/share	Turnover weighted share price during subscription period EUR/share
Key employee share options 2010 Series A						
Outstanding at the beginning of the period				418 000		
Expired during the period				418 000		
Outstanding at the end of the period						
Key employee share options 2010 Series B						
Outstanding at the beginning of the period	273 000			273 000		
Expired during the period	273 000					
Outstanding at the end of the period				273 000		
Key employee share options 2010 Series C						
Outstanding at the beginning of the period	279 400			279 400		
Outstanding at the end of the period	279 400			279 400		
Loyal customer options 2012						
Outstanding at the beginning of the period				1 166 134		
Expired during the period				1 166 134		
Outstanding at the end of the period						
Options, total						
Outstanding at the beginning of the period	552 400			2 136 534		
Expired during the period	273 000			1 584 134		
Outstanding at the end of the period	279 400			552 400		

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

	2010C
Period for subscription	1.3.15–31.3.17
Maximum number of share options	500 000
Number of options granted at 31 December, 2016	279 400
Subscription price, EUR 1)	16,50
Vesting period	18.5.12– 28.2.15
Contract vesting conditions	–

1) Subscription price after the Board of Directors proposes not to pay a dividend for year 2016.

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 recognised as expense over the vesting period of the option. During the financial period 1 January – 31 December 2016 share options had no impact on the Group's profit and there will not be any estimated expenses for year 2017.

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

	2010C
Options granted	18.5.2012
Risk-free interest rate, %	1,0%
Volatility, %	37,1%
Expected life of the share options (in years)	4,9
Share price at grant date, EUR	14,25
Fair value of the option determined at the grant date, EUR	3,65

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

22. Non-current liabilities, interest-bearing

EUR mill.	Carrying amount 2016	Fair value 2016	Carrying amount 2015	Fair value 2015
Bond issues	149,7	153,4	149,5	149,3
Loans from financial institutions	373,7	374,4	382,5	382,8
Other liabilities	1,9	1,9	2,7	2,7
Total	525,3	529,7	534,7	534,9

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.

23. Current liabilities

EUR mill.	Carrying amount 2016	Fair value 2016	Carrying amount 2015	Fair value 2015
Current account with overdraft facility	5,7	5,7	4,1	4,1
Finance leases			0,1	0,1
Other interest-bearing liabilities	230,7	231,3	244,5	245,2
Trade payables	69,7	69,7	83,4	83,4
Other current liabilities	41,3	41,3	22,9	22,9
Accruals and prepaid income	93,8	93,8	97,9	97,9
Derivative contract liabilities	2,9	2,9	5,9	5,9
Income tax liability	24,9	24,9	20,5	20,5
Total	469,0	469,6	479,2	479,9
of which interest-bearing	236,5	237,0	248,7	249,4

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.	2016	2015
The nominal value of the finance lease liabilities		
During one year		0,1
Total		0,1
The net present value of the finance lease liabilities		
During one year		0,1
Total		0,1
Financial expenses of the lease agreements expiring in the future		0,0
Financial lease liabilities total		0,1

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.

In the end of 2016 the Group does not have any existing financial lease agreements.

24. Provisions

EUR mill.	2016	2015
Non-current provisions		
Provision for onerous contracts		
Provision for onerous contracts 1.1.	4,2	
Increase in provisions		
Transfer from current provisions		4,2
Used provisions	-1,4	
Carrying amount 31.12.	2,8	4,2
Other provisions		
Carrying amount 1.1.	0,3	0,2
Increase in provisions		0,0
Used provisions	-0,1	
Carrying amount 31.12.	0,2	0,3
Non-current provisions total	3,0	4,5

EUR mill.	2016	2015
Current provisions		
Restructuring provision		
Carrying amount 1.1.		17,7
Increase in provisions	2,3	
Used provisions		-17,7
Carrying amount 31.12.	2,3	
Provision for onerous contracts		
Carrying amount 1.1.	1,5	13,1
Increase in provisions		
Used provisions	-0,5	-7,3
Transfer to non-current provisions		-4,2
Carrying amount 31.12.	1,0	1,5
Other provisions		
Carrying amount 1.1.	1,0	0,1
Increase in provisions		1,0
Used provisions	-0,2	-0,1
Transfers from other items	0,4	
Carrying amount 31.12.	1,1	1,0
Current provisions total	4,4	2,5

Provisions include expenses related to reorganisation in accordance with Group strategy.

25. Deferred tax assets and deferred tax liabilities

Changes in deferred taxes 2016

Deferred tax assets

EUR mill.	1.1.2016	Recognised in income statement	Recognised in equity	Translation difference	31.12.2016
Confirmed losses	40,5	-5,9		0,0	34,6
Measurement of derivatives and other financial instruments at fair value	0,0	0,0			0,0
Difference between carrying amounts and tax bases of property, plant and equipment	3,5	-1,5		0,0	2,0
Financial lease		0,0			0,0
Other temporary differences	1,3	0,2		0,2	1,7
Total	45,2	-7,1		0,2	38,3

Deferred tax liabilities

EUR mill.	1.1.2016	Recognised in income statement	Recognised in equity	Translation difference	31.12.2016
Cumulative depreciation differences	33,6	-6,7		-0,3	26,7
Difference between carrying amount and tax bases of prop., plant and equip.	8,5	-1,6		0,0	6,9
Measurement at fair value of intangible and tangible assets	119,7	-0,9	9,7	-0,7	127,8
Other temporary differences	1,9	0,0	0,2	0,0	2,2
Total	163,9	-9,2	9,9	-0,9	163,6

Losses in taxation on which deferred tax assets have not been recognised in financial year amount to EUR 22.6 million (2015: EUR 18.4 million). In accordance with IAS 12 paragraph 52 A, deferred tax liabilities have not been recorded on the accumulated distributable earnings, EUR 31.0 million (2015: EUR 31.8 million), of the Estonian subsidiary.

Changes in deferred taxes 2015

Deferred tax assets

EUR mill.	1.1.2015	Recognised in income statement	Recognised in equity	Translation difference	31.12.2015
Confirmed losses	18,7	21,8			40,5
Measurement of derivatives and other financial instruments at fair value	0,0	0,0			0,0
Difference between carrying amounts and tax bases of property, plant and equipment	3,7	0,0		–0,2	3,5
Financial lease					
Other temporary differences	3,4	–1,6		–0,6	1,3
Total	25,9	20,1		–0,8	45,2

Deferred tax liabilities

EUR mill.	1.1.2015	Recognised in income statement	Recognised in equity	Translation difference	31.12.2015
Cumulative depreciation differences	33,8	–0,3		0,1	33,6
Difference between carrying amount and tax bases of prop., plant and equip.	8,4	0,1		0,1	8,5
Measurement at fair value of intangible and tangible assets	17,3	7,5	94,5	0,4	119,7
Other temporary differences	2,5	0,3	–0,8	–0,1	1,9
Total	62,0	7,7	93,8	0,5	163,9

26. 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 were no transfers between the levels during the financial year.

Financial assets, EUR mill.	Level	Carrying amount 2016	Fair value 2016	Carrying amount 2015	Fair value 2015
Derivative contracts, hedge accounting applied	2	2,0	2,0	1,2	1,2
Financial assets at fair value through profit or loss					
Derivative contracts, hedge accounting not applied					
Currency derivatives	2	5,5	5,5	0,5	0,5
Financial assets at amortised cost					
Non-current receivables		7,2	7,2	9,7	9,7
Current receivables, interest-bearing		1,6	1,6	1,6	1,6
Current receivables, non-interest-bearing		51,1	51,1	52,1	52,1
Cash and cash equivalents		20,2	20,2	19,1	19,1
Available-for-sale financial assets	3	5,5	5,5	5,4	5,4
Financial assets, total		93,2	93,2	89,6	89,6

Financial liabilities, EUR mill.	Level	Carrying amount 2016	Fair value 2016	Carrying amount 2015	Fair value 2015
Derivative contracts, hedge accounting applied	2	0,1	0,1	0,3	0,3
Financial assets at fair value through profit or loss					
Derivative contracts, hedge accounting not applied					
Currency derivatives	2	2,7	2,7	5,3	5,3
Electricity derivatives	1	0,2	0,2	0,5	0,5
Financial liabilities at amortised cost					
Non-current interest-bearing liabilities	2	525,3	529,7	534,7	534,9
Current liabilities, interest-bearing	2	236,5	237,0	248,7	249,4
Current liabilities, non-interest-bearing		200,4	200,4	201,6	201,6
Financial liabilities, total		965,1	970,1	991,2	992,1

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.	2016	2015
Carrying amount 1.1.	5,4	7,8
Translation difference +/-	0,3	0,0
Sale of shares	-0,2	-0,1
Fair value change		-1,6
Transfers to non-current assets held for sale	0,0	-0,6
Total	5,5	5,4

27. Operating leases

Group as lessee

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

EUR mill.	2016	2015
Within one year	127,8	158,7
Within 1-5 years	318,1	391,6
In five years or more	263,1	335,0
Total	708,9	885,3

Rental liabilities related to Retail Russia were 31.12.2016 EUR 0.0 million (EUR 94.0 mill as per 31.12.2015). Rental liabilities related to Russia were transferred to Reviva Holding to whom Stockmann sold retail operations in Russia.

Lease payments

EUR mill.	2016	2015
Within one year	0,7	0,7
Within 1-5 years	0,9	1,0
Total	1,6	1,7

Group as lessor

The main properties owned by Stockmann are the properties of the Helsinki department store and the Book Building located in Helsinki, Finland, the Nevsky Centre shopping centre property located in St. Petersburg, Russia and the department store properties of Tallinn, Estonia. Stockmann is the majority owner in a real estate company, which owns the Stockmann department store building in Riga. The area of these properties is 142 000 square metres, 42 per cent of which consists of the Finnish properties. Approximately 52 per cent of the gross leasable gross area of the properties is used by Stockmann Retail and the remaining area is used by external tenants.

28. Contingent liabilities

Collaterals given for own liabilities

EUR mill.	2016	2015
Mortgages given	1,7	1,7
Guarantees	5,3	7,5
Liabilities of adjustments of VAT deductions made on investments to immovable property	15,4	17,6
Total	22,3	26,9

Contingent liabilities, total

EUR mill.	2016	2015
Mortgages	1,7	1,7
Guarantees	11,4	8,0
Liabilities of adjustments of VAT deductions made on investments to immovable property	15,4	17,6
Total	28,5	27,3

Interest on the hybrid bond

On 17 December 2015, Stockmann issued a hybrid bond of EUR 85 million. The accrued non-recognised interest on the bond was EUR 6.8 million at 31 December 2016 (EUR 0.3 million in 2015). More information about the hybrid bond is provided in Note 21.

Investments in real estate

Certain group companies are required to adjust the VAT deductions made on real estate investments completed in 2008–2016 if the VAT-liable use of the real estate decreases during the adjustment period. The last adjustment year is 2026, and the maximum liability is EUR 15.4 million (EUR 17.6 million in 2015).

29. Derivative contracts

Nominal values of derivative contracts

EUR mill.	2016	2015
Derivative contracts, hedge accounting applied		
Currency forwards	54,9	64,3
Total	54,9	64,3
Derivative contracts, hedge accounting not applied		
Currency swaps	414,4	459,1
Electricity forwards	1,8	1,8
Total	416,3	460,9

Fair value of derivative contracts 2016

Derivative contracts, hedge accounting applied

EUR mill.	Positive	Negative	Net
Currency forwards	2,0	–0,1	1,9
Total	2,0	–0,1	1,9

Derivative contracts, hedge accounting not applied

EUR mill.	Positive	Negative	Net
Currency swaps	5,5	–2,7	2,9
Electricity forwards		–0,2	–0,2
Total	5,5	–2,8	2,7

Fair value of derivative contracts 2015

Derivative contracts, hedge accounting applied

EUR mill.	Positive	Negative	Net
Currency forwards	1,2	–0,3	0,9
Total	1,2	–0,3	0,9

Derivative contracts, hedge accounting not applied

EUR mill.	Positive	Negative	Net
Currency swaps	0,5	–5,3	–4,8
Electricity forwards		–0,5	–0,5
Total	0,5	–5,9	–5,4

All the derivatives that are open on the balance sheet date, 31 December 2016, 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 recognised 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 2016. The fair values of electricity derivatives are based on market prices on the balance sheet date and the changes in the fair values are recognised in the profit and loss.

30. 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 recognised financial instruments that are subject to the above agreements.

31 December, 2016

Financial assets, EUR mill.	Carrying amount	Items under netting arrangements	Net
Currency derivatives, hedge accounting applied	2,0	−0,1	1,9
Currency derivatives, hedge accounting not applied	5,5	−2,6	2,9
Financial assets, total	7,5	−2,7	4,8

Financial liabilities, EUR mill.			
Currency derivatives, hedge accounting applied	−0,1	0,1	
Currency derivatives, hedge accounting not applied	−2,7	2,6	−0,1
Electricity derivatives, hedge accounting not applied	−0,2		−0,2
Financial liabilities, total	−3,0	2,7	−0,3

31 December, 2015

Financial assets, EUR mill.	Carrying amount	Items under netting arrangements	Net
Currency derivatives, hedge accounting applied	1,2	−0,3	0,9
Currency derivatives, hedge accounting not applied	0,5	−0,1	0,4
Financial assets, total	1,7	−0,4	1,3

Financial liabilities, EUR mill.			
Currency derivatives, hedge accounting applied	−0,3	0,3	0,0
Currency derivatives, hedge accounting not applied	−5,3	0,1	−5,2
Electricity derivatives, hedge accounting not applied	−0,5		−0,5
Financial liabilities, total	−6,1	0,4	−5,7

31. Related party transactions

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

Following members of the Board of Directors and Management Team belong to the Group's related party during financial year 2016:

- Jukka Hienonen, Chairman of the Board of Directors as of 15 March 2016
- Kaj-Gustaf Bergh, Chairman of the Board of Directors until 15 March 2016, Member of the Board of Directors
- Torborg Chetkovich, Member of the Board of Directors
- Susanne Najafi, Member of the Board of Directors as of 15 March 2016
- Leena Niemistö, Vice Chairman of the Board of Directors and Member of the Board of Directors as of 15 March 2016
- Michael Rosenlew, Member of the Board of Directors as of 15 March 2016
- Per Sjödell, Member of the Board of Directors
- Dag Wallgren, Member of the Board of Directors
- Per Thelin, CEO until 4 April 2016
- Lauri Veijalainen, CFO until 4 April 2016, interim CEO from 4 April to 12 September 2016, CEO as of 12 September 2016
- Mikko Huttunen, Director, Human Resources as of 15 August 2016
- Ingvar Larsson, Managing director, Lindex
- Nora Malin, Director, Corporate Communications
- Jukka Naulapää, Director, Legal affairs
- Petteri Naulapää, CIO
- Maiju Niskanen, Director, Store Operations as of 1 July 2016
- Susanna Ottila, Director, Delicatessen as of 13 June 2016
- Jouko Pitkänen, Director, Stockmann Retail until 13 June 2016
- Anna Salmi, Chief Customer Officer as of 28 October 2016
- Björn Teir, Director, Real Estate
- Tove Westermark, Director, Supply Chain as of 13 June 2016

Following members of the Board of Directors and Management Team belong to the Group's related party during financial year 2015:

- Kaj-Gustaf Bergh, Chairman of the Board of Directors
- Kari Niemistö, Vice Chairman of the Board of Directors and Member of the Board of Directors
- Kjell Sundström, Member of the Board of Directors until 19 March 2015 and Chief Strategy Officer until 25 May 2015
- Per Sjödell, 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
- Jukka Hienonen, Member of the Board of Directors as of 19 March 2015
- Torborg Chetkovich, Member of the Board of Directors as of 19 March 2015
- Eva Liljeblom, Member of the Board of Directors until 19 March 2015
- Per Thelin, CEO
- Ingvar Larsson, Managing director, Lindex
- Nora Malin, Director, Corporate Communications as of 2 April 2015
- Jukka Naulapää, Director, Legal affairs
- Petteri Naulapää, CIO as of 1 May 2015
- Jouko Pitkänen, Director, Stockmann Retail
- Heini Pirttijärvi, Director, Human Resources until 2 April 2015
- Björn Teir, Director, Real Estate
- Lauri Veijalainen, Development director for the Group's international operations and Deputy Direction, Real Estate until 11 August 2015 and CFO as of 12 August 2015
- Pekka Vähähyyppä, Executive vice president and CFO until 12 August 2015
- Tove Westermark, Development Director

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 Team, EUR 2016	Chief Executive Officer	Other members of the Management Team	Total
Short-term employee benefits	815 590	2 205 297	3 020 887
Post-employment benefits	420 000	0	420 000
Other long-term employee benefits	20 999	38 733	59 732
Employee benefits total	**1 256 589**	**2 244 030**	**3 500 619**

Remunerations to the Board of Directors, EUR 2016	Fixed annual remuneration *	Remuneration based on participation	Total
Hienonen Jukka	76 000	11 700	87 700
Bergh Kaj-Gustaf	38 000	7 500	45 500
Chetkovich Torborg	38 000	8 800	46 800
Najafi Susanne	38 000	5 500	43 500
Niemistö Kari **	0	1 500	1 500
Niemistö Leena	49 000	5 500	54 500
Rosenlew Michael	38 000	7 800	45 800
Sjödell Per	38 000	6 000	44 000
Tallqvist-Cederberg Charlotta **	0	1 500	1 500
Teir-Lehtinen Carola **	0	1 700	1 700
Wallgren Dag	38 000	11 500	49 500
Remunerations to the Board of Directors total	**353 000**	**69 000**	**422 000**

Fees and remunerations to key personnel total, EUR			3 922 619

* paid in 34 091 shares

** resigned from the Board of Directors on 15 March 2016

Employee benefits of the Chief Executive Officer and other members of the Management Team, EUR 2015	Chief Executive Officer	Other members of the Management Team	Total
Short-term employee benefits	430 516	2 306 281	2 736 797
Other long-term employee benefits	27 988	83 670	111 658
Employee benefits total	**458 504**	**2 389 951**	**2 848 455**

Remunerations to the Board of Directors, EUR 2015	Fixed annual remuneration *	Remuneration based on participation	Total
Bergh Kaj-Gustaf	76 000	11 500	87 500
Chetkovich Torborg	38 000	4 500	42 500
Hienonen Jukka	38 000	8 700	46 700
Liljeblom Eva	0	1 000	1 000
Niemistö Kari	49 000	7 000	56 000
Sjödell Per	38 000	6 000	44 000
Sundström Kjell	0	0	0
Tallqvist-Cederberg Charlotta	38 000	7 000	45 000
Teir-Lehtinen Carola	38 000	10 200	48 200
Wallgren Dag	38 000	13 000	51 000
Remunerations to the Board of Directors total	**353 000**	**68 900**	**421 900**

Fees and remunerations to key personnel total, EUR			3 270 355

* paid in 30 411 shares

Key employee share options 2010

On 31 December 2016, the Group's Management Team had 34,600 options, of which all are exercisable.

Management's pension commitments

The CEO Per Thelin's retirement age was determined in accordance with Finnish employment pension legislation. The CEO's pension was accrued on the basis of the Employees' Pensions Act. and a separate, voluntary defined contribution pension insurance taken out by the company. In 2016, the voluntary insurance contribution was EUR 20 999 (EUR 27 988 in 2015).

The CEO Lauri Veijalainen's retirement age is determined in accordance with Finnish employment pension legislation. The CEO's pension will accrue on the basis of the Employees' Pensions Act.

The retirement age of the Management Team members is 63 or 65, depending on the particular executive agreement in question. Two of the Management Team members have voluntary defined contribution pension insurances taken by the company as of the end of 2016. The costs of the insurances in 2016 amounted to EUR 38 733 (EUR 83 670 in 2015).

Other related party transactions

The Board members were paid other compensations EUR 61 253 (EUR 257 352 in 2015).

32. Financial risk management

The Group's financing and the management of financial risks are handled on a centralised 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 Financial Officer of Stockmann plc, manages financial exposures and executes hedging strategies at Group level. Treasury also acts as the internal bank of the Stockmann 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 during 2016 were the euro, the Swedish krona, and the Norwegian krone. The primary purchasing currencies were the euro, the United States dollar, and the Swedish krona. In 2016, foreign-currency-denominated sales accounted for 42 per cent of the Group's entire sales, excluding the Russian department store business that was divested in February 2016 (2015: 39 per cent excluding retail Russia). Purchases with a transaction risk, excluding retail Russia, made up 37 per cent of the Group's purchases (2015: 36 per cent excluding retail Russia). In addition the Group has purchases in foreign currency without a transaction risk, mainly local purchases in Sweden. In 2016 these purchases accounted for 3 per cent of the Group's total purchases (2015: 3 per cent).

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 7 months of 2017. 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 29. 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	2016	2015
USD	56,9	65,2
SEK	–23,0	–26,7
NOK	–18,2	–19,9
EUR	–13,7	–17,6

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

2016 EUR mill	USD	SEK	NOK
Change + 10 %	–4,0	–1,0	1,3
Change - 10 %	4,9	1,2	–1,6

2015 EUR mill	USD	SEK	NOK
Change + 10 %	–4,6	–1,3	1,4
Change - 10 %	5,7	1,5	–1,7

The majority of the outstanding derivatives hedging cash flows relates to Lindex. The functional currency of Lindex is the Swedish krona. At year-end, the outstanding cash flow hedges in US dollars covered approximately 67% 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 other than from sales and purchases in foreign currency. Group Treasury is 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 Group's transaction exposure

2016, EUR mill	SEK	GBP	RUB	NOK	CZK	USD	PLN
Receivables	869,7	12,7	29,8	13,6	36,0	4,8	10,3
Loans from financial institutions	–369,7	–0,1		–1,0		–0,3	
Trade payables and other current liabilities	–92,2			–0,2	–0,1	–15,6	
Foreign currency exposure in the balance sheet	407,8	12,6	29,8	12,4	35,9	–11,1	10,3
Foreign exchange derivatives hedging balance sheet items	–337,3	–9,2		–13,1	–31,5	10,1	–8,7
Foreign currency loans hedging the net investment	2,4						
Net position in the balance sheet	72,9	3,4	29,8	–0,7	4,4	–1,0	1,6

2015, EUR mill	SEK	GBP	RUB	NOK	CZK	USD	PLN
Receivables	888,3	11,0	2,7	12,4	33,1	9,7	9,6
Loans from financial institutions	–384,3			–0,5			
Trade payables and other current liabilities	–67,1	–0,5	–1,7	–0,2		–21,2	
Foreign currency exposure in the balance sheet	436,9	10,5	1,0	11,7	33,1	–11,5	9,6
Foreign exchange derivatives hedging balance sheet items	–404,7	–4,1		–10,1	–31,5	17,2	–7,6
Foreign currency loans hedging the net investment	15,1						
Net position in the balance sheet	47,3	6,4	1,0	1,6	1,6	5,7	2,0

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 income statement after tax

2016 EUR mill	SEK	GBP	RUB	NOK	CZK	USD	PLN
Change + 10 %	–5,3	–0,2	–2,2	0,0	–0,3	0,1	–0,1
Change - 10 %	6,4	0,3	2,6	–0,1	0,4	–0,1	0,1

2015 EUR mill	SEK	GBP	RUB	NOK	CZK	USD	PLN
Change + 10 %	–3,4	–0,5	–0,1	–0,1	–0,1	–0,4	–0,1
Change - 10 %	4,2	0,6	0,1	0,1	0,1	0,5	0,2

Translation risk

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

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

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

Sensitivity Analysis, effect on equity

2016 EUR mill	SEK	RUB
Change + 10 %	–14,9	–12,7
Change - 10 %	18,2	15,5

2015 EUR mill	SEK	RUB*
Change + 10 %	–11,9	0,0
Change - 10 %	14,6	0,0

*) Equity in the Russian subsidiary was not exposed to currency risk since the financial statements were translated into euro according to IAS 21 using euro as the functional currency.

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 2016, Stockmann's interest-bearing loans and bank receivables had a duration of 5.7 months. Interest rate derivatives were not in use.

Interest terms of the Group's interest bearing liabilities and bank receivables at 31 December 2016:

Interest rate adjustement, period, EUR mill	< 1 month	1–12 months	1–3 years	3–5 years	Total
Bond Issues			149,7		149,7
Loans from financial institutions	5,0	368,7			373,7
Other interest bearing liabilities	54,4	183,9			238,3
Total	59,4	552,6	149,7		761,8
Cash and bank receivables	−20,2				−20,2
Total	39,2	552,6	149,7		741,5

Interest terms of the Group's interest bearing liabilities and bank receivables at 31 December, 2015:

Interest rate adjustement, period, EUR mill	< 1 month	1–12 months	1–3 years	3–5 years	Total
Bond Issues			149,5		149,5
Loans from financial institutions		382,5			382,5
Finance leases		0,1			0,1
Other interest bearing liabilities	87,7	163,6			251,3
Total	87,7	546,2	149,5		783,4
Cash and bank receivables	−19,1				−19,1
Total	68,6	546,2	149,5		764,3

A rise of one percentage point in market interest rates would have an imputed effect on Stockmann's profit after taxes up to EUR -3.3 million (2015: EUR -3.5 million) at the balance sheet date, 31 December 2016. A decline of one percentage point in market interest rates would have only a very minor effect on Stockmann's profit after taxes, since almost all relevant market interest rates already are below zero and Stockmann can't benefit from rates below zero. At the balance sheet date there were no items that are recognised 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 2016, 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 1 441 million, of which EUR 762 million was drawn. Committed credit facilities amounted to EUR 820 million. Of these facilities, EUR 525 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 181 million. The major part of Stockmann's long-term credit facilities consists of committed bilateral agreements with 6 banks. These facilities amounted to EUR 670 million at the balance sheet date, 31 December 2016 (the amount fluctuates in accordance with the EUR/SEK exchange rate) and mature in February 2019. In addition Stockmann has issued a corporate bond of EUR 150 million, listed on Nasdaq Helsinki, which matures in 2018. In December 2015 Stockmann issued a hybrid bond of EUR 85 million and the proceeds have been used to repay short term debt. The hybrid bond is treated as equity in the consolidated financial statements prepared in accordance with IFRS. More information about the hybrid bond is provided in Note 21. Short term credit facilities include a domestic commercial paper program of EUR 600 million as well as bank overdraft facilities. Borrowing within the commercial paper program amounted to EUR 231 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. During 2015 the covenant level has been specified to reflect the impact of the sale of the Russian retail business as well as the current fair value of the properties. 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	2016	2015
Cash and bank receivables	20,2	19,1
Credit facility, due in 2017		
Credit facility, due in 2018		
Credit facility, due in 2019	295,0	300,0
Credit facility, due in 2020		
Credit facility, due in 2021 +		
Overdraft facilities	1,5	1,7
Total	316,7	320,8

Cash flows based on agreements in financial liabilities, including financing costs, at 31 December 2016:

EUR mill	Carrying amount	2017	2018	2019	2020	2021+	Total
Bonds	149,7	−5,1	−155,1				−160,1
Loans from financial institutions	373,7	−11,8	−10,7	−376,5			−399,0
Other interest-bearing liabilities	238,3	−237,2	−0,2	−1,9			−239,3
Trade payables and other current liabilities	200,4	−200,4					−200,4
Total	962,1	−454,4	−166,0	−378,4			−998,8
Derivatives							
FX Derivatives	2,8						
Assets		177,3					177,3
Liabilities		−179,9					−179,9
Electricity Derivatives	0,2						
Net cash flow		−0,1	−0,1	0,0			−0,2
Total	3,0	−2,7	−0,1	0,0			−2,8

Cash flows based on agreements in financial liabilities, including financing costs, at 31 December 2015:

EUR mill	Carrying amount	2016	2017	2018	2019	2020+	Total
Bonds	149,5	−5,1	−5,0	−155,0			−165,2
Loans from financial institutions	382,5	−7,4	−6,4	−6,4	−385,3		−405,5
Finance leases	0,1	−0,1					−0,1
Other interest-bearing liabilities	251,3	−250,1	−3,0				−253,1
Trade payables and other current liabilities	201,6	−201,6					−201,6
Total	985,0	−464,3	−14,4	−161,4	−385,3		−1 025,5
Derivatives							
FX Derivatives	5,6						
Assets		365,1					365,1
Liabilities		−370,6					−370,6
Electricity Derivatives	0,5						
Net cash flow		−0,2	−0,2	−0,1			−0,5
Total	6,1	−5,7	−0,2	−0,1			−6,0

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 2016, 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.	2016	2015
Trade receivables not due	14,3	14,9
Trade receivables fallen due in 1–30 days	0,8	1,7
Trade receivables fallen due in 31–60 days	0,1	0,6
Trade receivables fallen due in 61–90 days	0,1	0,2
Trade receivables fallen due in 91–120 days	0,0	0,4
Trade receivables fallen due in over 120 days	0,6	0,4
Total	15,9	18,3

The carrying amount of trade receivables corresponds to the maximum amount of the credit risk for them. EUR 0.2 million of impairment losses were recognised on trade receivables in 2016 (2015: EUR 0.3 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 recognise 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 31 December, 2016 was 48.3 per cent (at 31 December, 2015 it was 46.1 per cent).

33. Events after the balance sheet

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

Stockmann plc
Income Statement, FAS

	Note	1.1.–31.12.2016 EUR	% of Rev.	1.1.–31.12.2015 EUR	% of Rev.
REVENUE	2	565 283 461,51	100,0	663 795 931,55	100,0
Other operating income	3	12 138 109,64	2,1	26 529 359,39	4,0
Materials and services					
Materials and consumables:					
Purchases during the financial year		–311 690 416,00		–365 838 601,19	
Change in inventories, increase (+), decrease (-)		–11 243 825,25		–27 516 467,41	
Materials and services, total		–322 934 241,25	57,1	–393 355 068,60	59,3
Wages, salaries and employee benefits	4	–127 499 064,51	22,6	–151 984 368,34	22,9
Depreciation, amortisation and reduction in value	5	–26 604 502,85	4,7	–32 205 695,51	4,9
Other operating expenses	6	–138 566 762,42	24,5	–232 654 789,61	35,0
		–615 604 571,03	108,9	–810 199 922,06	122,1
OPERATING PROFIT (LOSS)		–38 182 999,88	–6,8	–119 874 631,12	–18,1
Financial income and expenses	7	–11 664 854,17	–2,1	9 071 172,50	1,4
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES		–49 847 854,05	–8,8	–110 803 458,62	–16,7
Appropriations	8	46 295 442,79	8,2	–1 652 178,35	–0,2
Income taxes					
For previous financial years				–10 166 574,75	
Income taxes, total				–10 166 574,75	–1,5
PROFIT (LOSS) FOR THE PERIOD		–3 552 411,26	–0,6	–122 622 211,72	–18,5

Stockmann plc
Balance sheet, FAS

ASSETS	Note	31.12.2016 EUR	31.12.2015 EUR
NON-CURRENT ASSETS			
Intangible assets	9		
Intangible rights		36 164 460,04	40 689 785,77
Other long-term expenditure		499 114,06	573 533,82
Advance payments and projects in progress		3 674 281,49	1 814 860,05
Intangible assets, total		40 337 855,59	43 078 179,64
Property, plant, equipment	10		
Land and water		13 435 033,59	13 435 033,59
Buildings and constructions		284 548 889,29	287 643 705,95
Machinery and equipment		39 323 077,80	16 328 920,19
Modification and renovation expenses for leased premises		5 232 294,16	3 806 379,91
Other tangible assets		54 769,84	54 769,84
Advance payments and construction in progress		8 360 232,35	28 991 864,21
Property, plant, equipment, total		350 954 297,03	350 260 673,69
Investments	11		
Shares in Group companies		176 392 674,58	177 278 536,39
Other shares and participations		8 028 858,74	10 458 905,98
Investments, total		184 421 533,32	187 737 442,37
NON-CURRENT ASSETS, TOTAL		575 713 685,94	581 076 295,70
CURRENT ASSETS			
Inventories			
Materials and consumables		62 721 488,21	73 965 313,46
Inventories, total		62 721 488,21	73 965 313,46
Non-current receivables			
Loan receivables from Group companies		874 705 095,85	888 961 460,33
Loan receivables from others		5 167 362,43	7 000 000,00
Non-current receivables, total		879 872 458,28	895 961 460,33
Current receivables	12		
Trade receivables		9 750 876,97	17 453 252,43
Receivables from Group companies		6 495 635,85	18 549 808,56
Other receivables		33 195,16	33 553,13
Prepayments and accrued income		16 849 922,20	13 352 984,08
Current receivables, total		33 129 630,18	49 389 598,20
Cash in hand and at banks	13	6 667 278,60	5 629 233,68
CURRENT ASSETS, TOTAL		982 390 855,27	1 024 945 605,67
ASSETS, TOTAL		1 558 104 541,21	1 606 021 901,37

Stockmann plc
Balance sheet, FAS

EQUITY AND LIABILITIES	Note	31.12.2016	31.12.2015
		EUR	EUR
EQUITY	14-15		
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		−231 252 806,84	−108 630 595,12
Net profit (loss) for the financial year		−3 552 411,26	−122 622 211,72
EQUITY, TOTAL		395 103 304,07	398 655 715,33
ACCUMULATED APPROPRIATIONS	16	94 914 135,56	130 669 578,35
PROVISIONS	17	7 133 732,04	22 034 325,18
LIABILITIES			
Non-current liabilities			
Hybrid bond		85 000 000,00	85 000 000,00
Bonds		150 000 000,00	150 000 000,00
Loans from credit institutions		374 696 414,56	384 300 016,40
Liabilities to Group companies		102 321 803,58	64 424 772,16
Non-current liabilities, total		712 018 218,14	683 724 788,56
Current liabilities	18-19		
Loans from credit institutions		1 251 417,14	
Advances received		818 533,16	541 383,04
Trade payables		33 548 030,44	35 299 522,11
Liabilities to Group companies		2 771 130,72	1 907 277,47
Other payables		249 717 580,68	269 581 663,85
Accrued expenses and prepaid income		60 828 459,26	63 607 647,48
Current liabilities, total		348 935 151,40	370 937 493,95
LIABILITIES, TOTAL		1 060 953 369,54	1 054 662 282,51
EQUITY AND LIABILITIES, TOTAL		1 558 104 541,21	1 606 021 901,37

Stockmann plc
Cash flow statement

	2016 EUR	2015 EUR
CASH FLOW FROM OPERATING ACTIVITIES		
Profit (loss) for the financial year	-3 552 411,26	-122 622 211,72
Adjustments for:		
Depreciation and amortisation according to plan	25 658 793,70	27 117 127,54
Non-current assets write-offs	945 709,15	5 088 567,97
Other non-cash income and expenses	-9 482 493,98	57 665 321,12
Financial income and expenses	11 664 854,17	-9 071 172,50
Appropriations	-46 295 442,79	1 652 178,35
Income taxes		10 166 574,75
Changes in working capital:		
Increase (-) / decrease (+) of current receivables	-589 110,84	-5 725 766,84
Increase (-) / decrease (+) of inventories	4 941 645,15	27 516 467,41
Increase (+) / decrease (-) of current non-interest bearing liabilities	-19 956 527,80	-13 813 306,74
Interest and other financial expenses paid from operating activities	-16 335 736,24	-20 973 530,61
Interest received from operating activities	758 163,69	654 973,84
Direct income taxes paid		142 531,34
CASH FLOW FROM OPERATING ACTIVITIES	-52 242 557,05	-42 202 246,09
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure on tangible and intangible assets	-23 683 595,44	-29 599 172,10
Proceeds from disposal of tangible and intangible assets	2 780 971,15	403 000,00
Additions to holdings in Group companies	2 500,00	-273 513,33
Proceeds from disposal of subsidiary shares	788 860,83	
Proceeds from disposal of other investments	824 699,00	
Dividends received from investing activities	102 788,30	25 566 606,25
NET CASH FROM INVESTING ACTIVITIES	-19 183 776,16	-3 903 079,18
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (-)/decrease (+) of loan receivables	18 133 006,70	3 312 968,05
Proceeds from (+)/ repayments of (-) short-term loans	-13 403 895,75	-48 414 506,24
Proceeds from long-term loans	230 337 180,12	262 839 809,96
Repayments of long-term loans	-162 601 912,94	-175 615 420,33
NET CASH FROM FINANCING ACTIVITIES	72 464 378,13	42 122 851,44
Change in cash in hand and at banks, increase (+) / decrease (-)	1 038 044,92	-3 982 473,83
Cash in hand and at banks in the beginning of the financial year	5 629 233,68	9 611 707,51
Cash in hand and at banks at the end of the financial year	6 667 278,60	5 629 233,68

Notes to the parent company financial statements

1. Accounting principles

Transactions in foreign currencies
Transactions in foreign currencies are recorded at the rates prevailing on the transaction 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 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 company's income statement and balance sheet.

Tangible and intangible assets
Tangible and intangible assets are valued according to the original cost excluding depreciation according to plan. The balance sheet values furthermore include revaluations of land areas and buildings. The 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.

Depreciation according to plan is based on the original cost and the estimated useful life of intangible and tangible assets as follows:

Intangible assets	3-10 years
Goodwill	5 years
Modification and renovation expenses of leased premises	5-10 years
Buildings	20-50 years
Machinery and equipment	3-10 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.

Adjustments to data of previous year
The classification of the income statement for previous year has been adjusted in order to correspond to the classification of year 2016 regarding item other operating income. In the financial statements of the previous year the collection fee income and charges for service rendered to parties outside the Group were presented as other operating income, but in reference income statement they are presented as revenue.

2. Revenue by segment

EUR	2016	2015
Retail	548 740 114,82	651 973 743,34
Real Estate	16 543 346,69	11 822 188,21
Total	565 283 461,51	663 795 931,55

3. Other operating income

EUR	2016	2015
Compensation for services to Group companies	11 455 445,00	26 311 997,71
Other capital gains	653 689,94	179 293,26
Other operating income	28 974,70	38 068,42
Total	12 138 109,64	26 529 359,39

4. Wages, salaries and employee benefits expenses

EUR	2016	2015
Salaries and remuneration paid to the CEO and his deputy	1 235 590,00	430 516,00
Salaries and remuneration paid to the Board of Directors	422 000,00	421 900,00
Other wages and salaries	97 970 026,98	118 445 567,85
Wages during sick leave	3 256 872,91	3 935 751,47
Pension expenses	17 551 787,43	21 629 834,44
Other employee benefits expenses	7 062 787,19	7 120 798,58
Total	127 499 064,51	151 984 368,34

Personnel, average	3 314	4 497

Management pension liabilities

CEO Lauri Veijalainen's retirement age is determined in accordance with Finnish employment pension legislation. The pension will accrue on the basis of the Employees' Pensions Act. The retirement age of the Management Team members is 63 or 65, depending on the particular executive agreement in question. Two of the management team members have voluntary earnings-related pension insurances taken by the company at the end of 2016. The cost of the pension insurances in 2016 amounted to EUR 59 732 (2015: EUR 83 670).

5. Depreciation, amortisation and reduction in value

EUR	2016	2015
Intangible rights	9 000 839,49	14 923 654,18
Goodwill		215 635,02
Modification and renovation expenses for leased premises	1 221 003,26	1 467 921,38
Buildings and constructions	9 422 289,26	9 202 857,13
Machinery and equipment	6 960 370,84	6 395 627,80
Total	26 604 502,85	32 205 695,51

6. Other operating expenses

EUR	2016	2015
Site expenses	71 425 299,29	70 216 701,96
Marketing expenses	24 752 120,49	28 169 710,03
ICT expenses	16 755 979,07	16 327 864,06
Goods handling expenses	13 843 553,73	15 415 902,02
Voluntary indirect employee expenses	1 744 350,36	1 358 688,00
Credit losses	-2 386 984,12	51 351 912,94
Staff leasing expenses	8 201 198,86	2 419 783,34
Other expenses	4 231 244,74	47 394 227,26
Total	138 566 762,42	232 654 789,61

Auditors' fees

EUR	2016	2015
Auditing	125 000,00	130 000,00
Tax advisory	144 305,10	338 000,00
Certificates and statements		6 500,00
Other services	58 900,00	264 500,00
Total	328 205,10	739 000,00

7. Financial income and expenses

EUR	2016	2015
Dividend from Group companies		17 137 167,42
Other dividend income	102 788,30	89 598,10
Interest income from Group companies	24 333 170,47	24 297 812,91
Interest income from parties outside the Group	518 385,36	521 155,26
Interest expenses to Group companies	-2 416 402,10	-637 200,62
Interest and other financial expenses to parties outside the Group	-24 502 060,49	-21 891 897,68
Impairment of loan receivables and investments	-7 241 944,22	-6 404 118,86
Foreign exchange gains and losses (net)	-2 458 791,49	-4 041 344,03
Total	-11 664 854,17	9 071 172,50

8. Appropriations

EUR	2016	2015
Change in depreciation reserve	35 755 442,79	-1 652 178,35
Received Group contributions	10 540 000,00	
Total	46 295 442,79	-1 652 178,35

Non-current assets

9. Intangible assets

Intangible rights

EUR	2016	2015
Acquisition cost 1 January	63 395 460,06	66 825 018,47
Increases	215 557,17	174 775,78
Transfers between items	4 262 024,47	4 572 096,36
Decreases	-11 464 768,59	-8 176 430,55
Acquisition cost 31 December	56 408 273,11	63 395 460,06
Accumulated amortisation 1 January	22 705 674,29	15 652 281,77
Accumulated amortisation on reductions	-11 462 700,71	-7 870 261,66
Amortisation for the financial year	9 000 839,49	14 923 654,18
Accumulated amortisation 31 December	20 243 813,07	22 705 674,29
Book value 31 December	36 164 460,04	40 689 785,77

Goodwill

EUR	2016	2015
Acquisition cost 1 January and 31 December		2 156 350,22
Accumulated amortisation 1 January		1 940 715,20
Amortisation for the financial year		215 635,02
Accumulated amortisation 31 December		2 156 350,22
Book value 31 December	0,00	0,00

Other capitalised long-term expenditure

EUR	2016	2015
Acquisition cost 1 January and 31 December	716 422,36	716 422,36
Accumulated amortisation 1 January	142 888,54	71 246,29
Amortisation for the financial year	74 419,76	71 642,25
Accumulated amortisation 31 December	217 308,30	142 888,54
Book value 31 December	499 114,06	573 533,82

Advance payments and projects in progress

EUR	2016	2015
Acquisition cost 1 January	1 814 860,05	3 253 887,12
Increases	6 227 041,91	3 133 069,29
Transfers between items	-4 262 024,47	-4 572 096,36
Decreases	-105 596,00	
Acquisition cost 31 December	3 674 281,49	1 814 860,05
Book value 31 December	3 674 281,49	1 814 860,05

Intangible assets, total	40 337 855,59	43 078 179,64

10. Tangible assets

Land and water

EUR	2016	2015
Acquisition cost 1 January	7 536 683,01	7 608 174,20
Decreases		-71 491,19
Acquisition cost 31 December	7 536 683,01	7 536 683,01
Revaluations 1 January and 31 December	5 898 350,58	5 898 350,58
Book value 31 December	13 435 033,59	13 435 033,59

Buildings and constructions

EUR	2016	2015
Acquisition cost 1 January	352 955 744,26	354 376 688,25
Increases	-10 391,22	231 200,00
Transfers between items	7 751 883,97	1 343 341,42
Decreases	-3 218 331,90	-2 995 485,41
Acquisition cost 31 December	357 478 905,11	352 955 744,26
Accumulated depreciation 1 January	91 842 747,91	85 483 160,74
Accumulated depreciation on reductions	-1 804 311,75	-2 843 269,86
Depreciation for the financial year	9 422 289,26	9 202 857,03
Accumulated depreciation 31 December	99 460 725,42	91 842 747,91
Revaluations 1 January and 31 December	26 530 709,60	26 530 709,60
Book value 31 December	284 548 889,29	287 643 705,95

Machinery and equipment

EUR	2016	2015
Acquisition cost 1 January	31 003 186,16	27 609 946,59
Increases	248 430,63	879 079,59
Transfers between items	29 935 116,59	6 471 383,10
Decreases	-7 078 913,62	-3 957 223,12
Acquisition cost 31 December	54 107 819,76	31 003 186,16
Accumulated depreciation 1 January	14 674 265,97	12 235 861,29
Accumulated depreciation on reductions	-6 849 894,85	-3 957 223,12
Depreciation for the financial year	6 960 370,84	6 395 627,80
Accumulated depreciation 31 December	14 784 741,96	14 674 265,97
Book value 31 December	39 323 077,80	16 328 920,19

Modification and renovation expenses for leased premises

EUR	2016	2015
Acquisition cost 1 January	6 952 930,38	10 231 253,78
Increases	358 116,50	
Transfers between items	2 214 381,20	1 551 244,93
Decreases	-3 088 612,05	-4 829 568,33
Acquisition cost 31 December	6 436 816,03	6 952 930,38
Accumulated depreciation 1 January	3 146 550,47	6 570 671,34
Accumulated depreciation on reductions	-3 088 612,05	-4 820 400,01
Depreciation for the financial year	1 146 583,45	1 396 279,14
Accumulated depreciation 31 December	1 204 521,87	3 146 550,47
Book value 31 December	5 232 294,16	3 806 379,91

Other tangible assets

EUR	2016	2015
Acquisition cost 1 January	54 769,84	55 055,76
Decreases		-285,92
Acquisition cost 31 December	54 769,84	54 769,84
Book value 31 December	54 769,84	54 769,84

Advance payments and construction in progress

EUR	2016	2015
Acquisition cost 1 January	28 991 864,21	12 861 163,19
Increases	19 657 830,86	25 497 834,97
Transfers between items	-39 901 381,76	-9 365 969,45
Decreases	-388 080,96	-1 164,50
Acquisition cost 31 December	8 360 232,35	28 991 864,21
Book value 31 December	8 360 232,35	28 991 864,21

Tangible assets, total	350 954 297,03	350 260 673,69

Revaluations included in balance sheet values

EUR	2016	2015
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 va

11. Investments

Investments in Group companies

EUR	2016	2015
Acquisition cost 1 January	177 278 536,39	177 005 023,06
Increases		6 677 598,55
Decreases	-885 861,81	
Impairments*		-6 404 085,22
Book value 31 December	176 392 674,58	177 278 536,39

* 2015: Impairments of Russian and Seppälä business operations

Other shares and participations

EUR	2016	2015
Acquisition cost 1 January	10 458 905,98	10 458 939,61
Decreases	–188 103,02	–33,63
Impairments	–2 241 944,22	
Book value 31 December	8 028 858,74	10 458 905,98

Investments, total	184 421 533,32	187 737 442,37

12. Current receivables

Trade receivables

EUR	2016	2015
Interest-bearing trade receivables	1 571 551,44	9 014 989,90
Non-interest bearing trade receivables	8 179 325,53	8 438 262,53
Total	9 750 876,97	17 453 252,43

Receivables from Group companies

EUR	2016	2015
Group contribution receivables	3 980 000,00	
Trade receivables	2 373 137,29	1 169 463,88
Dividend receivables		17 137 167,42
Prepayments and accrued income	82 498,56	243 177,26
Other current receivables	60 000,00	
Total	6 495 635,85	18 549 808,56

Essential items in prepayments and accrued income

EUR	2016	2015
Derivative receivables	4 636 099,71	55 019,25
Periodised indirect employee expenses	3 798 405,63	2 641 806,50
Receivable from credit card co-operation	1 960 448,71	2 004 093,99
Periodised loan arrangement expenses	1 782 585,64	3 087 512,96
Periodised ICT expenses	1 769 591,12	1 914 261,63
Receivables from suppliers	1 065 035,98	902 182,19
Periodised rental and leasing expenses	819 774,70	1 647 958,93
Taxes and customs duties receivable	412 826,75	319 343,99
Other prepayments and accrued income	605 153,96	780 804,64
Total	16 849 922,20	13 352 984,08

13. Cash in hand and at banks

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

14. Changes in equity

Share capital

EUR	2016	2015
Series A shares 1 January	61 106 432,00	61 191 530,00
Conversion to Series B shares	–44 696,00	–85 098,00
Series A shares 31 December	61 061 736,00	61 106 432,00
Series B shares 1 January	82 990 934,00	82 905 836,00
Conversion from Series A shares	44 696,00	85 098,00
Series B shares 31 December	83 035 630,00	82 990 934,00
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 and 31 December	–231 252 806,84	–108 630 595,12
Net profit (loss) for the financial year	–3 552 411,26	–122 622 211,72
Equity, total	395 103 304,07	398 655 715,33

Breakdown of distributable funds 31 December

EUR	2016	2015
Funds	299 464 710,45	299 464 710,45
Retained earnings	–231 252 806,84	–108 630 595,12
Net profit (loss) for the financial year	–3 552 411,26	–122 622 211,72
Total	64 659 492,35	68 211 903,61

15. Parent company's shares

Par value EUR 2.00	shares	shares
Series A shares (10 votes each)	30 530 868	30 553 216
Series B shares (1 vote each)	41 517 815	41 495 467
Total	72 048 683	72 048 683

16. Accumulated appropriations

The accumulated appropriations comprise accumulated depreciation difference.

17. Provisions

Other provisions

EUR	2016	2015
Rental commitments and closing cost of discontinued stores	4 472 616,04	6 416 256,78
Business restructuring cost	2 661 116,00	15 450 000,00
Personnel cost		168 068,40
Total	7 133 732,04	22 034 325,18

18. Current liabilities

EUR	2016	2015
Interest-bearing liabilities	232 592 075,12	245 995 970,87
Non-interest-bearing liabilities	116 343 076,28	124 941 523,08
Total	348 935 151,40	370 937 493,95

Liabilities to Group companies

EUR	2016	2015
Trade payables	269 834,18	568 128,50
Other liabilities, interest-bearing	624 285,53	893 421,54
Other liabilities, non-interest-bearing	339 776,56	445 727,43
Accrued liabilities	1 537 234,45	
Total	2 771 130,72	1 907 277,47

19. Essential items in accruals and prepaid income

EUR	2016	2015
Accrued personnel expenses	22 125 199,72	25 098 327,59
Accrued interest and other financial expenses	12 338 075,54	7 272 415,81
Income tax payable	10 850 991,78	10 326 326,25
Periodised purchases of stock items	4 730 708,26	9 090 201,04
Derivative payables	2 659 943,13	5 345 280,42
Payables for investments	2 151 280,00	
Accrued site expenses	1 887 389,00	3 224 674,00
Reserve for returns	1 034 015,58	741 713,29
Other accrued expenses and prepaid income	3 050 856,25	2 508 709,08
Total	60 828 459,26	63 607 647,48

20. Security pledged

Security pledged on behalf of the company

EUR	2016	2015
	Security value	Security value
Mortgages given	1 681 800,00	1 681 800,00
Guarantees	300 000,00	550 000,00
Security pledged on behalf of the company, total	1 981 800,00	2 231 800,00

Security pledged on behalf of other parties

EUR	2016	2015
Guarantees	6 164 419,01	481 825,00
Total	6 164 419,01	481 825,00

Security pledged on behalf of Group companies

EUR	2016	2015
Rent guarantees	6 000 595,97	17 635 216,28
Other guarantees	2 200 000,00	6 974 805,06
Total	8 200 595,97	24 610 021,34

Security pledged, total

EUR	2016	2015
Mortgages	1 681 800,00	1 681 800,00
Guarantees	14 665 014,99	25 641 846,34
Total	16 346 814,99	27 323 646,34

21. Other commitments

Leasing commitments

EUR	2016	2015
Total	1 236 091,65	1 377 720,09

Investments in real estate

The company is required to adjust the VAT deductions made on real estate investments completed in 2008-2016, if the VAT-liable use of the estate decreases during the adjustment period. The last adjustment year is 2026, and the maximum liability is EUR 15 350 797. In 2015 the maximum liability was EUR 17 648 489.

Pension liabilities

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

22. Shares and participations

Group companies

Parent company holdings	Shareholding %	Voting rights %
Stockmann AS, Tallinn	100	100
SIA Stockmann, Riga	100	100
SIA Stockmann Centrs, Riga	63	63
Stockmann Security Services Oy Ab, Helsinki	100	100
Oy Suomen Pääomarahoitus - Finlands Kapitalfinans Ab, Helsinki	100	100
Stockmann Sverige AB, Stockholm	100	100
Oy Hullut Päivät-Galna Dagar Ab, Helsinki	100	100
SIA Seppala Latvia, Riga	100	100
UAB Seppala Lithuania, Vilnius	100	100

Holdings of subsidiaries	Shareholding %	Voting rights %
Oy Stockmann Russia Finance Ab, Helsinki	100	100
OOO Stockmann Stp Centre, St Petersburg	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 Eesti, Tallinn	100	100
SIA Lindex Latvia, Riga	100	100
UAB Lindex Lithuania, Vilnius	100	100
Lindex s.r.o., Prague	100	100
AB Espevik, Alingsas	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 liabilities of joint operations are consolidated in proportion to the Group’s interest in the companies.

Other companies

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

Board proposal for disposal of distributable funds and net result of the financial year

The parent company's distributable funds according to the balance sheet at 31 December 2016 were EUR 64.7 million.

According to the parent company's balance sheet at 31 December 2016, the distributable funds at disposal of the Annual General Meeting comprise:

reserve for invested unrestricted equity	255 735 789,28
contingency fund	43 728 921,17
retained earnings	-231 252 806,84
loss for the financial year	-3 552 411,26
	64 659 492,35

The Board of Directors proposes to the Annual General Meeting that the net result of financial year 2016 will be carried further in the retained earnings.

Helsinki, 14 February 2017

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

BOARD OF DIRECTORS

Jukka Hienonen

Kaj-Gustaf Bergh   Torborg Chetkovich   Susanne Najafi   Leena Niemistö

Michael Rosenlew   Per Sjödell   Dag Wallgren

CEO

Lauri Veijalainen

Our auditor's report on the financial statements has been issued today.

Helsinki, 20 February 2017

Henrik Holmbom
Authorised Public Accountant, KHT

Marcus Tötterman
Authorised Public Accountant, KHT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Stockmann plc (business identity code 0114162-2) for the year ended 31 December 2016. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, cash flow statement and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial performance, financial position and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT

Valuation of Goodwill and Trademark (Notes 1 and 13 to the Consolidated Financial Statements)

- The goodwill and the trademark balances carried in the consolidated statement of financial position totalled €831 million as of 31 December 2016. The goodwill and the Lindex trademark allocated to the Fashion Chains segment (Lindex) amounted to €806 million and the goodwill allocated to the Retail segment €25 million, respectively.
- Impairment testing of the cash-generating units (Lindex and Retail) performed by the management relies on estimates of value in use.
- Determining the key assumptions about the cash flow projections underlying the impairment calculations requires the management to make judgements for example in respect of sales growth, profitability and discount rate. Due to the uncertainty related to the projections used in the testing, and the significance of the carrying amounts involved, the valuation of goodwill and trademark was deemed to be a key audit matter.
- The cash-generating units may not perform in line with the initial expectations and forecasts, and therefore, there is a risk that the carrying amounts of goodwill and the trademark exceed their recoverable amounts. At the year-end 2016 the parent company's market capitalisation was below the carrying amount of the net assets of the Group attributable to shareholders.

- We involved KPMG valuation specialists and considered impairment of goodwill and the trademark overall to determine whether an impairment had arisen. Our audit procedures included, among others:
  - We challenged the appropriateness of the key assumptions used in the impairment calculations.
  - We compared the key assumptions used in the impairment calculations, such as cash flows forecasts, discount rates and growth estimates, to the latest budgets approved by the parent company's Board of Directors, market data derived from external sources and to Stockmann's own historical data from previous financial years.
  - We tested the arithmetical accuracy of the impairment calculations.
  - We considered the disclosures in respect of impairment testing of goodwill and the trademark, including an assessment of the appropriateness and the adequacy of the information provided on the key assumptions and the sensitivity analyses.

Valuation of Properties (Notes 1, 14 and 15 to the Consolidated Financial Statements)

- In the consolidated financial statements, Stockmann measures both the owner-occupied properties and the investment properties it owns at fair value. Fair values are determined on the basis of valuations by external authorised property valuers. The fair value of the properties in the consolidated statement of financial position totalled €950 million as of 31 December 2016.
- Revaluing owner-occupied properties and determining fair values of the investment properties involve estimation uncertainty, in respect of forecasting and discounting future cash flows, and the management's subjective estimates.
- The valuation of the property holdings is affected by the assumptions used that involve significant amount of management judgement. The key assumptions relate to, among others:
  - estimates on net rental income, and
  - future capital expenditures.

- We made an overall assessment of the principles and the methodologies used in determining fair values. Given the nature of the calculations we also involved KPMG valuation specialists to assess the appropriateness of the fair values of the properties as determined by Stockmann. Our audit procedures included, among others:
  - We assessed the appropriateness of the valuation models and the key assumptions used, through comparing them to market data derived from external sources, for example.
  - We considered the appropriateness and the adequacy of the information provided in the disclosures on fair value measurement of the properties.

Monitoring and Valuation of Inventories (Notes 1 and 18 to the Consolidated Financial Statements)

- Stockmann carries out its business through a wide network of department and fashion stores, both in Finland and abroad. This increases the importance of functional IT systems, internal controls and management monitoring to ensure the accuracy of inventory balances and the appropriate valuation of inventories.
- The Group sells fashion goods and other goods being subject to changing consumer demands and fashion trends.
- The new central warehouse in Finland was taken into use in May 2016. This has impacted the related distribution and reporting processes.
- Valuation of inventories involves management judgement. Such judgements include the management's estimates of future sales of inventory items, among others. Therefore, the write-downs recognised on inventories may subsequently prove insufficient.

- Our audit procedures included, among others:
  - We assessed the appropriateness of the inventory control process and reports used by the management for monitoring purposes.
  - In respect of the Group's inventory-related IT systems, associated system access controls and IT security, we assessed the control environment and the effectiveness of system-based controls.
  - We assessed the processes for handling goods and monitoring routines in the new central warehouse.
  - We attended physical inventory counts at selected locations and assessed the appropriateness of the stock taking processes in the Group's central warehouses.
  - We performed data analysis to test the accuracy of inventory pricing and the reliability of calculations used for inventory valuation purposes.
  - We assessed the principles applied for inventory valuation and the adequacy of the write-downs recognised.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director 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, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER REPORTING REQUIREMENTS

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors and in the Annual Report, but does not include the financial statements and our auditor's report thereon. We obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the report of the Board of Directors, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 20 February 2017

Henrik Holmbom Authorised Public Accountant, KHT	Marcus Tötterman Authorised Public Accountant, KHT