Financial Statements Bulletin 2013

STOCKMANN

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Operating profit affected by a weak retail market

October - December 2013:
Consolidated revenue was EUR 607.8 million (EUR 643.8 million), down by 4.5 per cent excluding terminated franchising operations.
Operating profit was EUR 48.3 million (EUR 56.8 million).

January - December 2013:
Consolidated revenue was EUR 2 037.1 million (EUR 2 116.4 million), down by 2.3 per cent excluding terminated franchising operations.
Operating profit was EUR 54.4 million (EUR 87.3 million).
Profit for the period was EUR 48.4 million (EUR 53.6 million).
Earnings per share were EUR 0.67 (EUR 0.74), which includes a tax refund of EUR 0.37.
The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.40 per share be paid.

CEO Hannu Penttilä:
"The retail sector is undergoing a challenging time in Finland, as economic growth stagnated in 2013 and consumers had less purchasing power. The Stockmann Group's full-year revenue was slightly down in a weak market. The considerable weakening of the Russian rouble created further challenges for both revenue and profitability. Stockmann's operating profit declined, despite the extensive cost savings programme that was initiated in the spring.

After the successful Crazy Days campaign in October, Christmas sales were disappointing for our department stores in Finland and in Russia. The Stockmann online store in Finland almost doubled its revenue in 2013. This represented 5 per cent of the Finnish department stores' revenue in the product categories sold online.

Lindex continued to perform very well in the fourth quarter. It increased its sales in all of its markets and improved its operating profit by 27 per cent. Lindex has worked hard to create a respected brand and an attractive store concept. The efforts are paying off. An interesting new market will open in China next autumn, which will also mark Lindex's 60th anniversary.

2013 was a year of major changes for Seppälä. These included a brand renewal, a reduction in the number of stores, and the updating of key IT systems following Lindex's example. However, the changes have not yet had an impact on the financial result, which weakened significantly. We target to close over 20 additional Seppälä stores in Russia in 2014.

Stockmann's profit for the year decreased less than the operating profit, due to a tax refund to Lindex. As a result, earnings per share were EUR 0.67.

A weak market environment will continue in 2014 and low purchasing power must be taken into account, particularly in Finland. The outlook for Russia is very uncertain. The market environment in Sweden, Norway and the Baltic countries is expected to be stable. We are carrying out structural changes in order to adapt the cost structure to slow growth and to improve our performance. At comparable exchange rates, Stockmann expects the Group's revenue to increase slightly in 2014. Revenue growth is expected to take place in the second half of the year. Operating profit is expected to be somewhat higher than in 2013."

KEY FIGURES

	10-12/2013	10-12/2012	**1-12/2013**	1-12/2012
Revenue, EUR mill.	**607.8**	643.8	**2 037.1**	2 116.4
Revenue growth, per cent	**-5.6**	2.8	**-3.7**	5.5
Relative gross margin, per cent	**49.5**	49.5	**48.6**	49.5
Operating profit, EUR mill.	**48.3**	56.8	**54.4**	87.3
Net financial costs, EUR mill.	**9.0**	8.7	**27.6**	32.4
Profit before tax, EUR mill.	**39.3**	48.2	**26.8**	54.9
Profit for the period, EUR mill.	**36.5**	47.7	**48.4**	53.6
Earnings per share, undiluted, EUR	**0.51**	0.66	**0.67**	0.74
Equity per share, EUR			**12.42**	12.40
Cash flow from operating activities, EUR mill.	**183.2**	141.1	**125.4**	123.7
Capital expenditure, EUR mill.	**13.1**	19.4	**56.8**	60.3
Net gearing, per cent			**87.3**	90.9
Equity ratio, per cent			**43.8**	42.8
Number of shares, undiluted, weighted average, 1 000 pc			**72 049**	71 945
Return on capital employed, rolling 12 months, per cent			**3.4**	5.1
Personnel, average	**15 362**	16 101	**14 963**	15 603

REVENUE AND EARNINGS

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

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

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

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

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

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

The Stockmann Group's fourth-quarter (October-December) revenue was EUR 607.8 million (10-12/2012: EUR 643.8 million). Excluding the terminated franchising operations, revenue was down by 4.5 per cent. If the terminated franchising operations are included, revenue was down by 5.6 per cent.

Fourth-quarter revenue in Finland was down by 6.8 per cent, to EUR 307.5 million (EUR 329.9 million). Excluding the terminated Zara franchising, revenue was down by 5.1 per cent. Revenue in other countries amounted to EUR 300.3 million (EUR 313.9 million). Excluding the terminated Bestseller franchising, revenue outside Finland was down by 3.8 per cent. If like-for-like exchange rates are used, the Group's revenue in international operations grew by 2.1 per cent.

The fourth-quarter gross profit amounted to EUR 300.7 million (EUR 318.6 million) and the gross margin was 49.5 per cent (49.5 per cent). Operating costs decreased by 4.2 per cent, or EUR 10.1 million, to EUR 233.2 million (EUR 243.4 million). Depreciation was EUR 19.2 million (EUR 19.0 million).

Operating profit for the quarter was EUR 48.3 million (EUR 56.8 million). Operating profit declined in both divisions and particularly in Russia and Finland. Operating profit was up in Sweden and Norway.

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

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

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

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

REVENUE AND EARNINGS BY DIVISION

Department Store Division

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

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

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

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

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

The Department Store Division's fourth-quarter revenue was EUR 392.1 million (EUR 423.5 million). If the terminated franchising operations are excluded, revenue was down by 5.8 per cent. The Crazy Days campaign achieved a successful result, but Christmas sales were lower than expected in both Finland and Russia.

Revenue in Finland totalled EUR 267.8 million (EUR 286.8 million) in the quarter. Excluding the Zara franchising operations, revenue was down by 4.7 per cent. Revenue from international operations was EUR 124.3 million (EUR 136.7 million). Excluding the terminated Bestseller franchising, euro-denominated revenue was down by 8.0 per cent. Rouble-denominated revenue was up in Russia.

The gross margin for the quarter was 41.9 per cent (42.9 per cent) and it declined particularly in Russia due to the weakened rouble. Operating profit was down by EUR 7.6 million, to EUR 34.0 million (EUR 41.6 million). Operating costs were down by EUR 10.6 million.

Fashion Chain Division

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

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

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

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

The division's fourth-quarter revenue was down by 2.3 per cent, to EUR 215.9 million (EUR 221.0 million). Lindex's revenue grew by 1.6 per cent to EUR 186.9 million (EUR 184.0 million), despite the weakened Swedish and Norwegian currencies. Revenue in local currencies was up by 5.5 per cent, with growth in all countries. Seppälä's revenue was down by 21.8 per cent, to EUR 28.9 million (EUR 37.0 million). Revenue continued to decline in all markets.

The division's gross margin was 63.3 per cent (62.0 per cent) in the fourth quarter. Lindex improved its gross margin to 64.5 per cent (62.3 per cent), while Seppälä's gross margin was 55.2 per cent (60.5 per cent). Operating profit for the quarter was EUR 17.6 million, compared with EUR 19.2 million a year earlier. Lindex made an operating profit of EUR 22.2 million (EUR 17.5 million), while Seppälä's operating result totalled EUR -4.6 million (EUR 1.8 million).

FINANCING AND CAPITAL EMPLOYED

Cash and cash equivalents totalled EUR 33.9 million at the close of the year, compared with EUR 36.1 million a year earlier. Cash flow from operating activities was EUR 125.4 million (EUR 123.7 million) for the financial year, and EUR 183.2 million (EUR 141.1 million) for the fourth quarter. The fourth-quarter cash flow includes Lindex's tax refund of EUR 26.3 million.

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

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

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

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

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

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

DIVIDENDS

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

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

COST SAVINGS PROGRAMME

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

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

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

CAPITAL EXPENDITURE

Capital expenditure during the financial year totalled EUR 56.8 million (EUR 60.3 million), which was lower than depreciation at EUR 74.4 million (74.5 million). Fourth-quarter capital expenditure was EUR 13.1 million (EUR 19.4 million), and deprecation was EUR 19.2 million (EUR 19.0 million).

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

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

The Fashion Chain Division's capital expenditure for the financial year totalled EUR 24.7 million (EUR 22.0 million). Lindex opened 20 stores and closed 10 stores in 2013. Eight stores were opened in the fourth quarter: one each in Finland, Latvia, and the Czech Republic and one franchising store each in Iceland, Bosnia and Herzegovina, and Serbia and two franchising stores in Saudi Arabia. Five stores were closed: one each in Norway, Lithuania, Russia, Saudi Arabia and the United Arab Emirates. In total there were 479 Lindex stores in 16 countries at the end of the year.

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

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

STORE NETWORK

Stockmann Group	Total 31.12.2012	Total 30.9.2013	New stores in Q4 2013	Closed stores in Q4 2013	**Total 31.12.2013**
Department stores*	16	16			**16**
Stockmann Beauty stores	12	12		1	**11**
Hobby Hall and outlet stores in the Department Store Division	9	2		2	**2**
Lindex stores	469	476	8	5	**479**
of which franchising	30	32	5	2	**35**
of which own stores	439	444	5	2	**444**
Seppälä stores	220	210		1	**209**

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

NEW PROJECTS

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

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

Lindex will continue to expand with a net addition of over 20 stores in 2014, including franchising stores. The company has entered into a franchising partnership with Suning, a large retail and real estate company, in order to open a chain of Lindex fashion stores in China. The first Lindex store will be opened in Shanghai in September 2014. According to the franchising agreement, Suning's target is to establish 100 Lindex stores in China between 2015 and 2018. Suning will also introduce Lindex products online in China.

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

SHARES AND SHARE CAPITAL

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

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

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

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

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

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

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

PERSONNEL

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

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

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

EVENTS AFTER THE REPORTING PERIOD

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

The new distribution centre will serve Stockmann's department stores and online store more efficiently than before. In addition to operational improvements, Stockmann is targeting an annual cost saving of approximately EUR 6.5 million, primarily in the form of reduced personnel, transportation and real estate expenses. Savings are expected to be achieved in full from 2018 onwards.

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

RISK FACTORS

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

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

Fashion accounts for over two thirds of the Group's revenue. An inherent feature of the fashion trade is the short life cycle of products and their dependence on trends, the seasonality of sales and the susceptibility to abnormal changes in weather conditions. Responsible management of the supply chain is important for the Group's brands in order to retain customer confidence in Stockmann. The Group addresses these factors as part of its day-to-day management of operations. With the exclusion of major exceptional situations, these factors are not expected to have a significant effect on the Group's revenue or earnings.

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

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

OUTLOOK FOR 2014

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

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

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

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

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

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

Helsinki, Finland, 12 February 2014

STOCKMANN plc
Board of Directors

CONDENSED FINANCIAL STATEMENTS AND NOTES

ACCOUNTING POLICIES

This Financial Statements Bulletin has been prepared in compliance with IAS 34. The accounting policies and calculation methods applied are the same as those in the 2013 financial statements. The figures are unaudited. The Fashion Chain Division's figures include Lindex and Seppälä, and the previous year's figures used for comparison have been adjusted accordingly. The amendment to IAS 19 Employee Benefits, which eliminates the application of a corridor method, has no material effect on the consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

EUR mill.	**1.1.–31.12.2013**	1.1–31.12.2012
REVENUE	**2 037.1**	2 116.4
Other operating income	**0.0**	0.6
Materials and consumables	**−1 046.9**	−1 069.2
Wages, salaries and employee benefits expenses	**−397.8**	−405.1
Deprecation, amortisation and impairment losses	**−74.4**	−74.5
Other operating expenses	**−463.6**	−480.9
Total expenses	**−1 982.7**	−2 029.7
OPERATING PROFIT	**54.4**	87.3
Finance income	**4.5**	1.8
Finance expenses	**−32.1**	−34.2
Total finance income and expenses	**−27.6**	−32.4
PROFIT BEFORE TAX	**26.8**	54.9
Income taxes	**21.6**	−1.4
PROFIT FOR THE PERIOD	**48.4**	53.6
Profit for the period attributable to:		
Equity holders of the parent company	**48.4**	53.6
Non-controlling interest	**0.0**	0.0
EPS, undiluted, adjusted for share issue, EUR	**0.67**	0.74
EPS, diluted, adjusted for share issue, EUR	**0.67**	0.74

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR mill.	**1.1.–31.12.2013**	1.1.–31.12.2012
PROFIT FOR THE PERIOD	**48.4**	53.6
Net other comprehensive income which will not be reclassified to profit or loss in subsequent periods		
Remeasurement gains/losses on defined benefit pension liability	**0.1**	−0.1
Net other comprehensive income which will be reclassified to profit or loss in subsequent periods		
Exchange differences on translating foreign operations	**−5.8**	4.4
Cash flow hedges	**0.5**	−2.7
Other comprehensive income for the period, net of tax	**−5.3**	1.6
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**43.1**	55.2
Total comprehensive income attributable to:		
Equity holders of the parent company	**43.1**	55.2
Non-controlling interest	**0.0**	0.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR mill.	31.12.2013	31.12.2012
ASSETS		
NON-CURRENT ASSETS		
Intangible assets		
Trademark	**102.6**	106.2
Intangible rights	**38.8**	25.3
Other intangible assets	**3.1**	0.4
Advance payments and construction in progress	**24.0**	25.4
Goodwill	**793.2**	818.8
Intangible assets, total	**961.8**	976.1
Property, plant and equipment		
Land and water	**42.1**	42.2
Buildings and constructions	**440.4**	456.9
Machinery and equipment	**95.8**	112.1
Modification and renovation expenses for leased premises	**32.4**	37.8
Advance payments and construction in progress	**5.8**	6.2
Property, plant and equipment, total	**616.5**	655.1
Non-current receivables	**0.5**	1.1
Available-for-sale investments	**7.9**	5.0
Deferred tax asset	**17.3**	16.1
NON-CURRENT ASSETS, TOTAL	**1 604.0**	1 653.3
CURRENT ASSETS		
Inventories	**285.8**	281.4
Current receivables		
Interest-bearing receivables	**43.1**	43.8
Income tax receivables	**0.8**	0.6
Non-interest-bearing receivables	**76.9**	71.8
Current receivables, total	**120.9**	116.2
Cash and cash equivalents	**33.9**	36.1
CURRENT ASSETS, TOTAL	**440.6**	433.7
ASSETS, TOTAL	**2 044.6**	2 087.1

EUR mill.	31.12.2013	31.12.2012
EQUITY AND LIABILITIES		
EQUITY		
Share capital	**144.1**	144.1
Share premium fund	**186.1**	186.1
Invested unrestricted equity fund	**250.5**	250.5
Other funds	**43.4**	42.9
Translation reserve	**4.1**	10.0
Retained earnings	**266.8**	259.7
Equity attributable to equity holders of the parent company	**894.9**	893.3
Non-controlling interest	**0.0**	0.0
EQUITY, TOTAL	**894.9**	893.3
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**61.5**	66.4
Non-current interest-bearing liabilities	**469.4**	502.9
Provisions for pensions	**0.1**	0.3
Non-current non-interest-bearing liabilities and provisions	**0.4**	0.4
NON-CURRENT LIABILITIES, TOTAL	**531.4**	570.0
CURRENT LIABILITIES		
Current interest-bearing liabilities	**345.4**	345.6
Current non-interest-bearing liabilities		
Trade payables and other current liabilities	**269.4**	275.7
Income tax liabilities	**3.3**	2.0
Current provisions	**0.2**	0.4
Current non-interest-bearing liabilities, total	**272.8**	278.1
CURRENT LIABILITIES, TOTAL	**618.3**	623.8
LIABILITIES, TOTAL	**1 149.7**	1 193.8
EQUITY AND LIABILITIES, TOTAL	**2 044.6**	2 087.1

CONSOLIDATED CASH FLOW STATEMENT

EUR mill.	1.1.–31.12.2013	1.1.–31.12.2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	48.4	53.6
Adjustments for:		
Depreciation, amortisation and impairment losses	74.4	74.5
Gains (-) and losses (+) of disposals of fixed assets and other non-current assets	0.6	−0.4
Interest and other financial expenses	32.1	34.2
Interest income	−4.5	−1.8
Income taxes	−21.6	1.4
Other adjustments	0.5	2.1
Working capital changes:		
Increase (-) /decrease (+) in inventories	6.8	−12.8
Increase (-) / decrease (+) in trade and other current receivables	0.5	6.5
Increase (+) / decrease (-) in current liabilities	−4.8	−6.2
Interest expenses paid	−26.4	−33.3
Interest received from operating activities	4.3	0.4
Other financing items from operating activities	−1.8	−0.5
Income taxes paid from operating activities	17.0	6.0
Net cash from operating activities	125.4	123.7
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible and intagible assets	−61.1	−54.1
Proceeds from sale of tangible and intangible assets	0.0	1.5
Acquisition of subsidiaries, net of cash acquired	0.0	0.0
Dividends received from investing activities	0.2	0.2
Net cash used in investing activities	−60.9	−52.4
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issue	0.0	1.6
Proceeds from current liabilities	324.0	268.1
Repayment of current liabilities	−316.2	−263.7
Proceeds from non-current liabilities	86.4	248.0
Repayment of non-current liabilities	−114.9	−287.3
Payment of finance lease liabilities	−4.7	−2.5
Dividends paid	−43.1	−35.9
Net cash used in financing activities	−68.5	−71.7
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	−4.0	−0.4
Cash and cash equivalents at the beginning of the period	36.1	33.2
Cheque account with overdraft facility	−3.9	−0.1
Cash and cash equivalents at the beginning of the period	32.2	33.2
Net increase/decrease in cash and cash equivalents	−4.0	−0.4
Effects of exchange rate fluctuations on cash held	−0.4	−0.6
Cash and cash equivalents at the end of the period	33.9	36.1
Cheque account with overdraft facility	−6.1	−3.9
Cash and cash equivalents at the end of the period	27.8	32.2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR mill.	Share capital	Share premium fund	Hedging reserve*	Reserve for unrestricted equity	Other reserves	Translation differences	Retained earnings	**Total**	Non-controlling interest	**Total**
SHAREHOLDERS' EQUITY 1.1.2012	143.7	186.1	1.7	249.2	43.9	5.6	239.7	**869.9**	0.0	**869.9**
Dividend distribution							−35.9	**−35.9**		**−35.9**
Share issue	0.4							**0.4**		**0.4**
Options exercised							2.4	**2.4**		**2.4**
Share premium				1.2				**1.2**		**1.2**
Other changes							0.0	**0.0**		**0.0**
Comprehensive income for the period										
Profit for the period							53.6	**53.6**		**53.6**
Remeasurement gains/losses on defined benefit pension liability							−0.1	**−0.1**		**−0.1**
Exchange differences on translating foreign operations						4.4		**4.4**		**4.4**
Cash flow hedges			−2.7					**−2.7**		**−2.7**
Total comprehensive income for the period*			−2.7			4.4	53.5	**55.2**		**55.2**
SHAREHOLDERS' EQUITY 31.12.2012	144.1	186.1	−1.0	250.5	43.9	10.0	259.7	**893.3**	0.0	**893.3**

EUR mill.	Share capital	Share premium fund	Hedging reserve*	Reserve for unrestricted equity	Other reserves	Translation differences	Retained earnings	**Total**	Non-controlling interest	**Total**
SHAREHOLDERS' EQUITY 1.1.2013	144.1	186.1	−1.0	250.5	43.9	10.0	259.7	**893.3**	0.0	**893.3**
Dividend distribution							−43.2	**−43.2**		**−43.2**
Options exercised							1.9	**1.9**		**1.9**
Other changes	0.0	0.0					−0.1	**−0.1**		**−0.1**
Comprehensive income for the period										
Profit for the period							48.4	**48.4**		**48.4**
Remeasurement gains/losses on defined benefit pension liability							0.1	**0.1**		**0.1**
Exchange differences on translating foreign operations						−5.8		**−5.8**		**−5.8**
Cash flow hedges			0.5					**0.5**		**0.5**
Total comprehensive income for the period*			0.5			−5.8	48.5	**43.1**	0.0	**43.1**
SHAREHOLDERS' EQUITY 31.12.2013	144.1	186.1	−0.5	250.5	43.9	4.1	266.8	**894.9**	0.0	**894.9**

* Adjusted with deferred tax liability

GROUP'S OPERATING SEGMENTS

Revenue, EUR mill.	**1.1.–31.12.2013**	1.1.–31.12.2012
Department Store Division	**1 232.6**	1 302.7
Fashion Chain Division	**805.2**	814.0
Segments, total	**2 037.8**	2 116.7
Unallocated	**−0.8**	−0.3
Group total	**2 037.1**	2 116.4

Operating profit, EUR mill.	**1.1.–31.12.2013**	1.1.–31.12.2012
Department Store Division	**26.0**	48.0
Fashion Chain Division	**38.6**	50.0
Segments, total	**64.6**	98.0
Unallocated	**−10.2**	−10.6
Group total	**54.4**	87.3
Reconciliation to the item profit before tax:		
Financial income	**4.5**	1.8
Financial expenses	**−32.1**	−34.2
Consolidated profit before taxes	**26.8**	54.9

Depreciation, amortisation and impairment losses, EUR mill.	**1.1.–31.12.2013**	1.1.–31.12.2012
Department Store Division	**42.2**	42.0
Fashion Chain Division	**29.7**	31.2
Segments, total	**71.8**	73.2
Unallocated	**2.6**	1.4
Eliminations		
Group total	**74.4**	74.5

Capital expenditure, gross, EUR mill.	**1.1.–31.12.2013**	1.1.–31.12.2012
Department Store Division	**26.9**	30.4
Fashion Chain Division	**24.7**	22.0
Segments, total	**51.5**	52.3
Unallocated	**5.4**	7.9
Group total	**56.9**	60.3

Assets, EUR mill.	**1.1.–31.12.2013**	1.1.–31.12.2012
Department Store Division	**868.0**	898.8
Fashion Chain Division	**1 124.2**	1 149.2
Segments, total	**1 992.2**	2 048.0
Unallocated	**52.1**	39.1
Group total	**2 044.3**	2 087.1

INFORMATION ON MARKET AREAS

Revenue, EUR mill.	1.1.–31.12.2013	1.1.–31.12.2012
Finland 1)	**983.2**	1 048.2
Sweden and Norway 2)	**548.2**	537.9
Baltic countries and Central Europe 1) *	**159.9**	158.5
Russia and Ukraine 1)	**345.7**	371.8
Group total	**2 037.1**	2 116.4
Finland %	**48.3%**	49.5%
International operations %	**51.7%**	50.5%
Operating profit, EUR mill. **	**1.1.–31.12.2013**	1.1.–31.12.2012
Finland 1)	**−0.9**	23.7
Sweden and Norway 2)	**59.0**	56.5
Baltic countries and Central Europe 1) *	**2.7**	6.4
Russia and Ukraine 1)	**−6.4**	0.8
Group total	**54.4**	87.3
Finland %	**−1.7%**	27.1%
International operations %	**101.7%**	72.9%
Non-current assets, EUR mill.	**1.1.–31.12.2013**	1.1.–31.12.2012
Finland 1)	**480.2**	475.9
Sweden and Norway 2)	**850.4**	883.3
Baltic countries and Central Europe 1) *	**40.7**	43.1
Russia and Ukraine 1)	**215.1**	235.1
Group total	**1 586.4**	1 637.3
Finland %	**30.3%**	29.1%
International operations %	**69.7%**	70.9%

1) Department Store Division, Fashion Chain Division
2) Fashion Chain Division
* Estonia, Latvia, Lithuania, Czech Republic, Slovakia, Poland
** Includes re-allocation of purchasing office costs

EXCHANGE RATES OF EURO

Closing rate for the period	31.12.2013	31.12.2012
RUB	**45,3246**	40,3295
LVL	**0,7028**	0,6977
LTL	**3,4528**	3,4528
NOK	**8,3630**	7,3483
SEK	**8,8591**	8,5820
Average rate for the period	**1.1.–31.12.2013**	1.1.–31.12.2012
RUB	**42,3362**	39,9239
LVL	**0,7015**	0,6973
LTL	**3,4528**	3,4528
NOK	**7,8075**	7,4752
SEK	**8,6514**	8,7061

KEY FIGURES OF THE GROUP

	31.12.2013	31.12.2012
Equity ratio, per cent	**43.8**	42.8
Net gearing, per cent	**87.3**	90.9
Cash flow from operating activities per share, EUR	**1.74**	1.72
Interest-bearing net debt, EUR mill.	**737.8**	768.6
Number of shares at the end of the period, thousands	**72 049**	72 049
Weighted average number of shares, thousands	**72 049**	71 945
Weighted average number of shares, diluted, thousands	**72 049**	71 945
Market capitalization, EUR mill.	**796.0**	994.6
Operating profit, per cent of turnover	**2.7**	4.1
Equity per share, EUR	**12.42**	12.40
Return on equity, rolling 12 months, per cent	**5.4**	6.1
Return on capital employed, rolling 12 months, per cent	**3.4**	5.1
Average number of employees, converted to full-time equivalents	**11 422**	11 898
Capital expenditure, EUR mill.	**56.8**	60.3

DEFINITIONS OF KEY FIGURES:

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

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

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

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

Earnings per share, adjusted for share issue = $\dfrac{\text{Profit before tax – minority interest – income taxes}}{\text{Average number of shares, adjusted for share issue}}$

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

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

INFORMATION PER QUARTER

Consolidated income statement per quarter

EUR mill.	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Revenue	**607.8**	454.4	543.6	431.3	643.8	485.1	537.2	450.3
Other operating income	**0.0**	0.0	0.0	0.0	0.6	0.0	0.0	0.0
Materials and consumables	**−307.1**	−229.6	−276.5	−233.7	−325.3	−239.5	−270.2	−234.2
Wages, salaries and employee benefits expenses	**−106.2**	−89.6	−101.7	−100.3	−111.0	−94.5	−101.0	−98.6
Depreciation, amortisation and impairment losses	**−19.2**	−18.4	−18.3	−18.6	−19.0	−19.0	−18.1	−18.4
Other operating expenses	**−127.0**	−106.2	−117.0	−113.4	−132.4	−115.0	−118.3	−115.3
Operating profit	**48.3**	10.7	30.1	−34.6	56.8	17.1	29.7	−16.2
Finance income	**0.3**	3.8	−1.0	1.4	−0.5	1.0	0.9	0.4
Finance expenses	**−9.3**	−7.9	−7.5	−7.4	−8.2	−8.5	−8.4	−9.1
Total financial income and expenses	**−9.0**	−4.1	−8.5	−6.0	−8.7	−7.5	−7.5	−8.7
Profit before tax	**39.3**	6.5	21.6	−40.7	48.2	9.6	22.2	−24.9
Income taxes	**−2.8**	22.4	−2.1	4.1	−0.4	−1.4	−3.6	4.0
Profit for the period	**36.5**	28.9	19.5	−36.5	47.7	8.1	18.6	−20.9

Earnings per share per quarter

EUR	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Undiluted	**0.51**	0.40	0.27	−0.51	0.66	0.11	0.26	−0.29
Diluted	**0.51**	0.40	0.27	−0.51	0.66	0.11	0.26	−0.29

Segment information per quarter

EUR mill.	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Revenue								
Department Store Division	**392.1**	245.2	325.1	270.2	423.5	272.7	326.0	280.5
Fashion Chain Division	**215.9**	209.4	218.7	161.3	221.0	212.3	211.1	169.6
Unallocated	**−0.1**	−0.2	−0.2	−0.2	−0.7	0.1	0.2	0.1
Group total	**607.8**	454.4	543.6	431.3	643.8	485.1	537.2	450.3
Operating profit								
Department Store Division	**34.0**	−3.6	11.6	−15.9	41.6	2.8	10.2	−6.5
Fashion Chain Division	**17.6**	16.1	22.3	−17.4	19.2	16.1	21.8	−7.2
Unallocated	**−3.3**	−1.8	−3.8	−1.3	−4.0	−1.8	−2.3	−2.5
Group total	**48.3**	10.7	30.1	−34.6	56.8	17.1	29.7	−16.2

Information on market areas

EUR mill.	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Revenue								
Finland 1)	**307.5**	206.0	258.3	211.4	329.9	228.2	266.1	224.0
Sweden and Norway 2)	**149.7**	140.1	148.9	109.5	149.0	139.8	137.6	111.6
Baltic countries and Central Europe 1) *	**48.1**	37.1	42.5	32.3	48.4	37.5	39.6	33.0
Russia and Ukraine 1)	**102.5**	71.3	93.9	78.1	116.6	79.7	93.9	81.6
Group total	**607.8**	454.4	543.6	431.3	643.8	485.1	537.2	450.3
Finland %	**50.6%**	45.3%	47.5%	49.0%	51.2%	47.0%	49.5%	49.8%
International operations %	**49.4%**	54.7%	52.5%	51.0%	48.8%	53.0%	50.5%	50.2%
Operating profit **								
Finland 1)	**16.5**	−1.0	2.2	−18.5	23.1	2.5	6.6	−8.5
Sweden and Norway 2)	**22.4**	17.3	23.4	−4.1	19.2	15.8	20.0	1.5
Baltic countries and Central Europe 1) *	**4.5**	0.7	1.0	−3.5	4.7	2.0	1.5	−1.9
Russia and Ukraine 1)	**4.9**	−6.2	3.5	−8.5	9.8	−3.2	1.5	−7.3
Group total	**48.3**	10.7	30.1	−34.6	56.8	17.1	29.7	−16.2
Finland %	**34.2%**	−9.6%	7.2%	53.5%	40.6%	14.6%	22.4%	52.4%
International operations %	**65.8%**	109.6%	92.8%	46.5%	59.4%	85.4%	77.6%	47.6%

1) Department Store Division, Fashion Chain Division
2) Fashion Chain Division
* Estonia, Latvia, Lithuania, Czech Republic, Slovakia, Poland
** Includes re-allocation of purchasing office costs

CONTINGENT LIABILITIES AND DERIVATIVE CONTRACTS OFF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Contingent liabilities of the Group, EUR mill.	**31.12.2013**	31.12.2012
Mortages on land and buildings	**1.7**	201.7
Pledges and guarantees	**8.1**	7.8
Liabilities of adjustments of VAT deductions made on investments to immovable property	**23.3**	28.2
Total	**33.0**	237.7

Lease agreements on the Group's business premises, EUR mill.	**31.12.2013**	31.12.2012
Minimum rents payable on the basis of binding lease agreements on business premises		
Within one year	**187.5**	186.3
After one year	**694.3**	716.2
Total	**881.8**	902.5

Group's lease payments, EUR mill.	**31.12.2013**	31.12.2012
Within one year	**0.6**	1.2
After one year	**1.1**	1.1
Total	**1.7**	2.4

Group's derivate contracts, EUR mill.	**31.12.2013**	31.12.2012
Nominal value		
Currency derivatives	**582.8**	608.5
Electricity derivates	**0.9**	2.6
Total	**583.7**	611.2

CONSOLIDATED ASSETS AND GOODWILL

Assets, EUR mill.	**31.12.2013**	31.12.2012
Acquisition cost at the beginning of the period	**2 054.7**	1 963.6
Translation difference +/-	**−38.7**	38.6
Increases during the period	**56.8**	60.3
Decreases during the period	**−9.3**	−7.8
Transfers between items during the period	**−2.8**	0.0
Acquisition cost at the end of the period	**2 060.6**	2 054.7
Accumulated depreciation at the beginning of the period	**−423.5**	−350.9
Translation difference +/-	**7.3**	−2.1
Depreciation on reductions during the period	**8.3**	4.0
Depreciation ans amortisation during the period	**−74.4**	−74.5
Accumulated depreciation at the end of the period	**−482.3**	−423.5
Carrying amount at the beginning of the period	**1 631.2**	1 612.8
Carrying amount at the end of the period	**1 578.3**	1 631.2

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

Goodwill, EUR mill.	**31.12.2013**	31.12.2012
Acquisition cost at the beginning of the period	**818.8**	788.5
Translation difference +/-	**−25.6**	30.3
Acquisition cost at the end of the period	**793.2**	818.8
Carrying amount at the beginning of the period	**818.8**	788.5
Carrying amount at the end of the period	**793.2**	818.8

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

Financial assets, EUR mill.	Level	**Carrying amount 31.12.2013**	**Fair value 31.12.2013**	Carrying amount 31.12.2012	Fair value 31.12.2012
Derivative contracts, hedge accounting applied	2	**0.2**	**0.2**	0.0	0.0
Financial assets at fair value through profit or loss					
Derivative contracts, hedge accounting not applied					
Currency derivatives	2	**6.9**	**6.9**	0.9	0.9
Electricity derivatives	1	**0.0**	**0.0**	0.0	0.0
Financial assets at amortized cost					
Non-current receivables		**0.5**	**0.5**	1.1	1.1
Current receivables, interest-bearing		**43.1**	**43.1**	43.8	43.8
Current receivables, non-interest-bearing		**69.8**	**69.8**	70.9	70.9
Cash and cash equivalents		**33.9**	**33.9**	36.1	36.1
Available-for-sale financial assets	3	**7.9**	**7.9**	5.0	5.0
Financial assets, total		**162.4**	**162.4**	157.8	157.8

Financial liabilities, EUR mill.	Level	**Carrying amount 31.12.2013**	**Fair value 31.12.2013**	Carrying amount 31.12.2012	Fair value 31.12.2012
Derivative contracts, hedge accounting applied	2	**0.9**	**0.9**	1.3	1.3
Financial liabilities at fair value through profit or loss					
Derivative contracts, hedge accounting not applied					
Currency derivatives	2	**2.9**	**2.9**	5.8	5.8
Electricity derivatives	1	**0.2**	**0.2**	0.2	0.2
Financial liabilities at amortized cost					
Non-current interest-bearing liabilities	2	**469.4**	**466.5**	502.9	505.7
Current liabilities, interest-bearing	2	**345.4**	**346.3**	345.6	346.9
Current liabilities, non-interest-bearing		**265.5**	**265.5**	268.4	268.4
Financial liabilities, total		**1 084.3**	**1 082.3**	1 124.2	1 128.3

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

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

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

Change in fair value of available-for-sale financial assets, EUR mill.	**31.12.2013**	31.12.2012
Carrying amount Jan. 1	**5.0**	5.0
Translation difference +/-	**0.0**	0.0
Transfers between items	**2.8**	0.0
Total	**7.9**	5.0

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