Interim Report
Q3 2014

STOCKMANN

STOCKMANN plc, Interim Report 29.10.2014 at 8.00 EET

Weak performance continued in the third quarter – strategy process proceeding according to plan

July-September 2014:
Consolidated revenue was EUR 405.0 million (EUR 454.4 million), down 10.9 per cent, or down 8.1 per cent at comparable exchange rates.
Operating result was EUR -14.8 million (EUR 10.7 million).

January-September 2014:
Consolidated revenue was EUR 1 295.9 million (EUR 1 429.3 million), down 9.1 per cent excluding terminated franchising operations, or down 5.8 per cent at comparable exchange rates.
Operating result was EUR -55.1 million (EUR 6.1 million).
Result for the period was EUR -61.7 million (EUR -13.2 million, excluding Lindex's tax refund of EUR 25.1 million).
Earnings per share came to EUR -0.86 (EUR -0.19, excluding Lindex's tax refund of EUR 0.35).

Profit guidance for 2014 (revised 14 October 2014):
Stockmann estimates that the Group's euro-denominated revenue in 2014 will decline on 2013. The Group's operating result excluding non-recurring items is expected to be negative in 2014.

Chairman of the Board Kaj-Gustaf Bergh:
Consumer confidence is still low in Finland and retail market's outlook for the rest of the year is uncertain. In Russia, the weak economy and record-low rouble are weakening Stockmann's results. We have faced challenges in our operations, and therefore our sales have decreased more than the market. In September in particular, the Group's revenue decreased in all divisions and this made a significant contribution to the weak earnings of the quarter. As a result, we also changed our profit guidance for the full year.

Seppälä's brand renewal and turnaround project to improve profitability have not brought the desired results. The operating losses have increased during this year. To break the loss spiral we are planning significant downsizing in Seppälä's operations in the main markets in Finland and Estonia. Seppälä plans to withdraw from the other Baltic countries and Russia during 2015. This is a regrettable step for Seppälä's staff, but it is necessary in order to make the Group's earnings profitable again.

The fourth quarter of the year plays a crucial role for Stockmann's earnings performance. The successful Crazy Days campaign provides a good start for the department and online stores' Christmas campaigns. We have appointed new directors to lead the Stockmann Retail and Real Estate divisions and to ensure the implementation of the new strategy. I am confident that under their leadership, our employees will be able to achieve their best and we will be able to develop our most important competitive factor: good customer service.

Improving Stockmann's competitiveness is a part of the on-going strategy work. The direction of the new Stockmann is beginning to take shape. In Stockmann Retail we will focus on the department and online stores' omnichannel business model. Earlier this autumn we made a decision to find a new owner for Hobby Hall's operations. Stockmann's new CEO, Per Thelin, has now been appointed, so we are well under way in the strategy process.

KEY FIGURES

	7-9/2014	7-9/2013	1-9/2014	1-9/2013	1-12/2013
Revenue, EUR mill.	**405.0**	454.4	1 295.9	1 429.3	2 037.1
Revenue growth, per cent	**-10.9**	-6.3	-9.3	-2.9	-3.7
Relative gross margin, per cent	**49.6**	49.5	47.8	48.2	48.6
Operating result, EUR mill.	**-14.8**	10.7	-55.1	6.1	54.4
Net financial costs, EUR mill.	**4.7**	4.1	17.4	18.6	27.6
Result before tax, EUR mill.	**-19.5**	6.5	-72.6	-12.5	26.8
Result for the period, EUR mill.	**-13.6**	28.9*	-61.7	11.9*	48.4
Earnings per share, undiluted, EUR	**-0.19**	0.40*	-0.86	0.16*	0.67
Equity per share, EUR			11.14	11.88	12.42
Cash flow from operating activities, EUR mill.	**-51.9**	-47.9	-87.3	-57.8	125.4
Capital expenditure, EUR mill.	**15.4**	15.3	42.7	43.7	56.8
Net gearing, per cent			114.3	111.5	87.3
Equity ratio, per cent			39.0	39.9	43.8
Number of shares, undiluted, weighted average, 1 000 pc			72 049	72 049	72 049
Return on capital employed, rolling 12 months, per cent			-0.3	3.6	3.4
Personnel, average	**14 344**	14 685	14 504	14 830	14 963

* Includes a tax refund of EUR 25.1 million (EUR 0.35 per share) to Lindex in September 2013.

STRATEGY PROCESS

Stockmann is carrying out a process of reviewing and revising the Group's strategy. The process covers all of the Group's operations in all markets, and the target is to improve Stockmann's long-term competitiveness and profitability. A new operating structure under three divisions – Stockmann Retail, Real Estate and Fashion Chains – will be introduced as of 1 January 2015.

In Stockmann Retail the focus will increasingly be on the Stockmann department stores and stockmann.com online store. A new owner is being sought for the Hobby Hall distance retail business. The Real Estate division's goal is to maximize the value of the Group's real estate holdings. The Fashion Chains include the Lindex and Seppälä businesses. Stockmann believes that Lindex has significant development potential to become a truly international fashion brand. To support this strategy, an operational Board of Directors for AB Lindex, including new external members, was elected in October.

Efforts to improve Seppälä's profitability have not been successful. In 2013 Seppälä's operating result was EUR -14.4 million, and operating losses excluding non-recurring items for 2014 are expected to be over EUR 25 million. As a consequence, plans are being made to downsize the operations significantly in Finland and in Estonia, and to close down the business in Latvia and Lithuania during 2015. The stores in Russia will be closed, according to an earlier decision, during the rest of 2014 and during 2015. Seppälä currently has 130 stores in Finland, 36 in the Baltic countries and 16 in Russia.

Due to the planned downsizing, Seppälä will start codetermination negotiations which will affect all employees in Finland, approximately 800 people in total. The downsizing could lead to a personnel reduction of up to 380 people. The planned actions may cause non-recurring expenses which will be recorded during the last quarter of 2014, once decisions on the possible closures have been made.

REVENUE AND EARNINGS

The retail market remained weak in the third quarter of 2014, in particular in Finland where consumer confidence and consumers' purchasing power continued to be low. In Finland the fashion market was down by 10 per cent in September and 6 per cent in January-September (TMA index). In Sweden the market was up by 0.6 per cent year-to-date, although the market declined by 3.4 per cent in September (Stilindex). The Russian rouble remained weak against the euro, and as a result consumers' purchasing power declined in Russia.

The Stockmann Group's revenue in January-September was down by 9.3 per cent to EUR 1 295.9 million (EUR 1 429.3 million), or down by 5.8 per cent at comparable exchange rates. If the terminated franchising operations are excluded, revenue was down by 9.1 per cent. Revenue was down in all market areas except in the Baltic countries and in Central Europe.

Revenue in Finland was EUR 601.9 million (EUR 675.7 million). Excluding the terminated Zara franchising, revenue was down by 10.5 per cent. Revenue abroad amounted to EUR 694.0 million (EUR 753.6 million). Revenue was down by 1.1 per cent at comparable exchange rates. The Russian rouble, the Swedish krona and the Norwegian krone continued weaker than in 2013, and therefore the euro-denominated revenue was down by 7.9 per cent. Revenue abroad accounted for 53.6 per cent (52.7 per cent) of the total revenue.

The Group's gross profit in the reporting period was down by EUR 69.8 million, to a total of EUR 619.6 million (EUR 689.5 million). The gross margin was 47.8 per cent (48.2 per cent) due to a decline in both divisions. Operating costs were down by 1.1 per cent and amounted to EUR 621.1 million (EUR 628.1 million). Depreciation was EUR 53.6 million (EUR 55.2 million).

The consolidated operating result for January-September was EUR -55.1 million (EUR 6.1 million). The operating result weakened especially in Finland.

The Group's third quarter (July-September) revenue was down by 10.9 per cent to EUR 405.0 million (EUR 454.4 million). At comparable exchange rates revenue was down by 8.1 per cent.

Revenue in Finland in the third quarter was down by 12.6 per cent to EUR 179.9 million (EUR 206.0 million). Revenue abroad amounted to EUR 225.0 million (EUR 248.4 million) which is 9.4 per cent less than in 2013. At comparable exchange rates revenue was down by 4.7 per cent.

The gross margin for the quarter was 49.6 per cent (49.5 per cent) due to an increase in Lindex's margin. Operating costs were up by 1.5 per cent, to EUR 198.7 million (EUR 195.7 million) due to increased marketing costs. In the third quarter of 2013, operating costs were down due to non-recurring cost savings. Depreciation was EUR 17.2 million (EUR 18.4 million). The operating result for the quarter was EUR -14.8 million (EUR 10.7 million). The operating result declined in both divisions and in particular in Finland.

Net financial expenses during the reporting period were down by EUR 1.2 million, to EUR 17.4 million (EUR 18.6 million). Non-recurring foreign exchange losses amounted to EUR 0.4 million (EUR 0.8 million). In the third quarter of 2013, Lindex received a non-recurring interest income of EUR 3.1 million from the tax authorities and this is included in the net financial expenses.

The result before taxes for January-September was EUR -72.6 million (EUR -12.5 million). A tax credit of EUR 10.8 million was booked on the loss posted for the period. In 2013 a tax credit of EUR 24.4 million was booked and it included a refund of EUR 22 million due to the elimination of Lindex's double taxation in 1999-2005. The result for the period was EUR -61.7 million (EUR 11.9 million, or EUR -13.2 million excluding Lindex's tax refund of EUR 25.1 million).

Earnings per share for January-September amounted to EUR -0.86 (EUR 0.16, or EUR -0.19 excluding Lindex's tax refund of EUR 0.35) and, diluted for options, EUR -0.86 (EUR 0.16). Equity per share was EUR 11.14 (EUR 11.88).

REVENUE AND EARNINGS BY DIVISION

Department Store Division

The Department Store Division's revenue in January-September was EUR 749.5 million (EUR 840.5 million). If the terminated franchising operations are excluded, revenue was down by 10.5 per cent.

Revenue in Finland was EUR 501.8 million (EUR 565.7 million). Excluding the terminated Zara franchising, revenue was down by 10.8 per cent. Euro-denominated revenue from international operations was EUR 247.7 million (EUR 274.7 million) and accounted for 33.1 per cent (32.7 per cent) of the division's total revenue. Revenue was up in the Baltic countries and in roubles in Russia, but due to the weak Russian rouble, euro-denominated revenue was down 9.8 per cent.

The gross margin during the period was 38.4 per cent (39.3 per cent). The decline was due to the weakened Russian rouble and price-driven campaigns mainly in Finland.

The Department Store Division's January-September operating result was EUR -45.8 million (EUR -8.0 million). Operating costs decreased by EUR 4.6 million, mainly due to currency effects.

Revenue in July-September was down by 12.7 per cent, to EUR 214.0 million (EUR 245.2 million). Revenue in Finland totalled EUR 143.5 million (EUR 166.6 million). Revenue was down by 13.9 per cent. Euro-denominated revenue from international operations was down by 10.3 per cent, to EUR 70.5 million (EUR 78.6 million).

The quarter's gross margin was 40.0 per cent (40.0 per cent). The operating result for the quarter was EUR -16.8 million, compared to EUR -3.6 million a year earlier. The result was particularly weak in September due to the major decline in revenue. Operating costs were up by EUR 1.3 million. In the third quarter of 2013, operating costs were down due to temporary layoffs and other non-recurring cost savings.

The Crazy Days campaign, which took place in October, after the end of the quarter, was on the previous year's level at comparable currency rates. Due to the weak Russian rouble, however, euro-denominated revenue was down 4 per cent. Revenue was up by 5 per cent in the Baltic countries and down by 2 per cent in Finland despite the strong growth of the Stockmann online store. In Russia the rouble-denominated revenue was up by 4 per cent, but due to currency effects euro-denominated revenue was down by 10 per cent.

Fashion Chain Division

The Fashion Chain Division's revenue in January-September was down by 7.3 per cent, to EUR 546.3 million (EUR 589.4 million). Revenue was down by 9.6 per cent in Finland, to EUR 100.0 million (EUR 110.6 million), and down by 6.8 per cent in international operations, to EUR 446.3 million (EUR 478.8 million). Revenue outside Finland accounted for 81.7 per cent (81.2 per cent) of the division's total revenue.

Lindex's January-September revenue totalled EUR 476.6 million (EUR 501.0 million). This was 0.4 per cent more than a year ago at comparable currency rates, but due to the weakened Swedish and Norwegian currencies 4.9 per cent less than a year earlier in euros. Seppälä's January-September revenue was down by 21.2 per cent, to EUR 69.7 million (EUR 88.4 million). The decline was partly due to the closure of 30 stores over the past 12 months. Revenue declined by 16.6 per cent in Finland and by 29.6 per cent abroad.

The division's gross margin for the period was 60.7 per cent (61.1 per cent). Lindex's gross margin was slightly up, to 62.0 per cent (61.9 per cent), but Seppälä's gross margin was 51.4 per cent (56.7 per cent).

The division's operating result in January-September was EUR -2.9 million (EUR 21.0 million). Lindex's operating profit was EUR 18.5 million (EUR 30.8 million) and Seppälä's operating result was EUR -21.5 million (EUR -9.7 million). Lindex's operating costs were down by EUR 0.5 million due to currency effects. Seppälä's operating costs declined by EUR 1.9 million.

Revenue in July-September was down by 8.8 per cent to EUR 190.9 million (EUR 209.4 million). Lindex's revenue declined by 6.8 per cent to EUR 166.0 million (EUR 178.0 million) or 1.4 per cent in local currencies. Revenue was up in Latvia and in Central Europe but down in other areas. Seppälä's revenue was down by 20.6 per cent, to EUR 24.9 million (EUR 31.4 million). Revenue continued to decline in all countries of operation. Comparable revenue, excluding the stores closed during the past 12 months, declined by 8.6 per cent.

The division's gross margin in the quarter was 60.5 per cent (60.6 per cent). Lindex's gross margin was 62.0 per cent (61.6 per cent) and Seppälä's gross margin was 50.4 per cent (54.8 per cent).

Operating profit for the quarter was EUR 4.2 million (EUR 16.1 million). Lindex made an operating profit of EUR 10.0 million (EUR 18.2 million). The decline is partly due to currency effects and partly due to increased non-recurring marketing costs. Seppälä's operating result totalled EUR -5.8 million (EUR -2.2 million).

FINANCING AND CAPITAL EMPLOYED

Cash and cash equivalents totalled EUR 18.3 million at the end of September 2014, as against EUR 19.4 million a year earlier. Cash flow from operating activities came to EUR -87.3 million (EUR -57.8 million) in January-September and EUR -51.9 million (EUR -47.9 million) in July-September.

Net working capital excluding cash and cash equivalents amounted to EUR 220.0 million at the end of September, as against EUR 253.8 million a year earlier and EUR 133.9 million at the close of 2013.

Inventories amounted to EUR 334.4 million (EUR 349.2 million), and included the merchandise for the Crazy Days campaign which was held in October. Stock levels were below the previous year's figures in both divisions.

Current receivables amounted to EUR 145.4 million (EUR 149.2 million). Non-interest-bearing liabilities amounted to EUR 259.8 million (EUR 244.8 million).

Interest-bearing liabilities at the end of September were EUR 935.5 million (EUR 977.4 million), of which long-term debt amounted to EUR 636.0 million (EUR 495.7 million). In addition, the Group has EUR 265.0 million in undrawn, long-term committed credit facilities and EUR 333.8 million in uncommitted credit facilities. Most of the short-term debt has been acquired in the commercial paper market. At the close of 2013, interest-bearing liabilities amounted to EUR 814.8 million, of which EUR 469.4 million was long-term debt.

The equity ratio was 39.0 per cent (39.9 per cent) at the end of September. Net gearing at the end of September was 114.3 per cent (111.5 per cent). At the close of 2013, the equity ratio was 43.8 per cent and net gearing was 87.3 per cent.

COST SAVINGS PROGRAMME

Stockmann has continued its cost savings programme across the organisation, mainly with structural changes that are being carried out to improve long-term efficiency and the cost structure.

A new sales organisation model for the department stores in Finland and a centralised centre for customer service were taken into use as of 1 September 2014. In the new model, sales staff focus on selling and customer service, while administration, support services and customer service over the telephone and through online channels are centralised. The comparable annual savings target of these changes is around EUR 10 million and will be fully achieved from 2015 onwards.

In order to increase efficiency in the Department Store Division's support functions and Corporate Administration, codetermination negotiations with staff were carried out between June and September. As a consequence, Stockmann will reduce the number of jobs in support and administration functions in Finland by 148, of which 61 through redundancies, 60 by discontinuing temporary employments and the rest through retirements and voluntary resignations. At the beginning of the negotiations, which covered approximately 1 200 persons, the personnel reduction need was estimated to be up to 180 people. With these measures, Stockmann estimates to achieve annual savings of approximately EUR 5 million from 2015 onwards.

Stockmann is planning to close down the Stockmann Beauty cosmetic stores in Finland during 2015. There are currently 11 Beauty stores which employ around 50 people in total. The goal is to offer store personnel in the capital, Turku and Tampere regions new jobs in the department stores. The maximum personnel reduction planned is 30 people.

Efforts to improve Seppälä's profitability have not been successful, and the operations are loss-making. As a consequence, plans are being made to downsize Seppälä's operations significantly in Finland and in Estonia, and to close down the business in Latvia and Lithuania during 2015. The stores in Russia will be closed, according to an earlier decision, during the rest of 2014 and during 2015. Seppälä currently has 130 stores in Finland, 36 in the Baltic countries and 16 in Russia. Due to the planned downsizing, Seppälä will start codetermination negotiations which will affect all employees in Finland, approximately 800 people in total. The downsizing could lead to a personnel reduction of up to 380 people. The planned actions may cause non-recurring expenses which will be recorded during the last quarter of 2014, once decisions on the possible closures have been made.

CAPITAL EXPENDITURE

Capital expenditure totalled EUR 42.7 million (EUR 43.7 million) in the first nine months of the year and EUR 15.2 million (EUR 15.3 million) in July-September. Depreciation was EUR 53.6 million (EUR 55.2 million) in the period and EUR 17.4 million (EUR 18.4 million) in the third quarter.

The Department Store Division's capital expenditure for the reporting period totalled EUR 23.9 million (EUR 18.1 million), of which EUR 6.3 million was spent on the new enterprise resource planning (ERP) system. The project to enlarge the Tampere department store is due for completion in November 2014. EUR 4.4 million was invested in the project during January-September.

The Fashion Chain Division's capital expenditure for January-September was EUR 16.0 million (EUR 22.3 million). Lindex opened four stores during the third quarter: one in Norway, one in Latvia, one in Slovakia and one franchising store in Iceland. One store was closed in Sweden and one in Finland. Seppälä closed 10 stores during the third quarter: eight in Russia, one in Finland and one in Lithuania.

The Group's other capital expenditure came to a total of EUR 2.8 million (EUR 3.3 million). The Group's financial management systems are being replaced in phases, and this project continued in the third quarter.

STORE NETWORK

Stockmann Group	Total 31.12.2013	Total 30.6.2014	New stores in Q3 2014	Closed stores in Q3 2014	**Total 30.9.2014**
Department stores*	16	16			**16**
Stockmann Beauty stores	11	11			**11**
Hobby Hall and outlet stores in the Department Store Division	2	2			**2**
Lindex stores	479	486	4	2	**488**
of which franchising	35	34	1		**35**
of which own stores	444	452	3	2	**453**
Seppälä stores	209	190		10	**180**

* Academic Bookstores are included in the department stores in Finland.

NEW PROJECTS

Total capital expenditure for 2014 is estimated to be approximately EUR 60 million, which is less than the estimated depreciation of approximately EUR 75 million. Most of the capital expenditure will be used for expansion and refurbishment of the Lindex stores, department store renovations, IT system renewals, and the automation technology of the new distribution centre for Stockmann department and online stores.

Lindex will continue to expand, with a net addition of over 10 stores in 2014, including franchising stores. In spring 2015, Lindex will open its first store in the UK, in the Westfield Stratford City shopping centre in London.

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 September 2014, Stockmann had 30 595 765 Series A shares and 41 452 918 Series B shares, or a total of 72 048 683 shares. The number of votes conferred by the shares was 347 410 568.

The share capital totalled EUR 144.1 million at the end of the period (EUR 144.1 million). The market capitalization was EUR 623.1 million (EUR 912.8 million). At the end of 2013 the market capitalization stood at EUR 796.0 million.

At the end of September, the price of Stockmann's Series A shares was EUR 8.66, compared with EUR 11.06 at the end of 2013, and the Series B shares were selling at EUR 8.64, as against EUR 11.04 at the end of 2013. A total of 0.6 million (0.3 million) Series A shares and 12.8 million (12.0 million) Series B shares were traded on Nasdaq OMX Helsinki during the reporting period. This corresponds to 2.0 per cent of the average number of Series A shares and 30.8 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 September 2014, Stockmann had 56 018 shareholders, compared with 59 667 a year earlier. Stockmann did not receive any flagging announcements arising from changes in major shareholdings during January-September 2014.

PERSONNEL

The Group's average number of personnel in the reporting period was 14 504, which is 326 less than in the same period in the previous year (14 830). The decline took place in the Department Store Division and in Seppälä. In terms of full-time equivalents, the average number of employees decreased by 183 to a total of 11 094 (11 277).

At the end of September, the Group had 14 089 employees (14 698). The number of personnel working outside Finland was 8 398 (8 503) which was 59.6 per cent (57.9 per cent) of the total.

The Group's wages and salaries amounted to EUR 223.3 million in January-September, compared with EUR 228.7 million a year earlier. The total employee benefits expenses were EUR 283.6 million (EUR 291.6 million), which is equivalent to 21.9 per cent (20.4 per cent) of revenue.

CHANGES IN MANAGEMENT

Hannu Penttilä stepped down from his position as the Chief Executive Officer on 26 August 2014. Penttilä will retire on 31 December 2014, as announced earlier. Kaj-Gustaf Bergh, Chairman of Stockmann's Board of Directors, is acting as temporary CEO until 10 November 2014 when the new CEO, Per Thelin, will start in his position.

New directors in the Stockmann Group's Management Committee were appointed in October, effective 1 November 2014.

Jouko Pitkänen (born 1971), eMBA, has been appointed Director, Stockmann Retail. He will head the retail business of Stockmann's department and online stores.

Tove Westermarck (born 1968), M.Sc. (Econ.), has been appointed Development Director. She will be responsible for ensuring that the Group's new strategy is implemented in the Stockmann Retail and Real Estate divisions.

Björn Teir (born 1969), M.Sc. (Pol.), has been appointed Director, Real Estate. He will be responsible for managing and leasing Stockmann's real estate holdings in Helsinki, St Petersburg, Tallinn and Riga.

Lauri Veijalainen (born 1968), B.Sc., has been appointed Deputy Director, Real Estate. He will also continue as a member of the Group's Management Committee and Development Director of the Group's international operations.

CHANGES IN THE BOARD OF DIRECTORS OF LINDEX

AB Lindex's extraordinary shareholders' meeting elected an operational Board of Directors for the company in October. The new chairman of the Board is Per Sjödell, a member of the Stockmann Board of Directors and Managing Director of Fiskars Sweden. Stockmann's CFO Pekka Vähähyyppä, and Board Member and Chief Strategy Officer Kjell Sundström will also represent Stockmann in the Board.

Tracy Stone and Rossana Mariano are independent of the company and its significant shareholders, and they bring extensive experience in the fashion and retail industries, including international expansion. Tracy Stone, born 1962, UK citizen, works as Global Sales Director at GANT. Rossana Mariano, born 1962, Swedish citizen, is the CEO and founder of RMPR, a leading Swedish lifestyle PR agency. Caroline Kull Magnusson and Ann-Britt Neckvall, with Clary Erenmalm as their deputy, continue as employee representatives in the Board of Directors. One additional, independent Board member is expected to be elected later during the year.

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 will continue to affect Stockmann.

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

Fashion accounts for over two thirds of the Group's revenue. An inherent feature of the fashion trade is the short life cycle of products and their dependence on trends, the seasonality of sales and the susceptibility to abnormal changes in weather conditions. Responsible management of the supply chain is important for the Group's brands in order to retain customer confidence in Stockmann. The Group addresses these factors as part of its day-to-day management of operations. 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, which is the euro, and the Swedish krona, the Norwegian krone, the Russian rouble, the US dollar and certain other currencies. Currency fluctuations may have a significant effect on the Group's business operations. Financial risks, including risks arising from interest rate fluctuations, are managed in accordance with the risk policy confirmed by the Board of Directors.

OUTLOOK FOR 2014

The Russian rouble has weakened considerably and economic growth in Russia is expected to remain at a low level in 2014. The crisis in Ukraine, sanctions against Russia and their counter-measures will continue to affect the Russian economy during the year. As a consequence, the outlook for the Russian retail market is very uncertain.

In Finland, uncertainty will continue in the retail market. Demand for non-food products is expected to remain weak in the last quarter of the year, and the outlook remains unstable. Purchasing power is expected to remain low, which will have a negative effect on consumer purchasing behaviour.

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.

Stockmann's strategy process will continue until the end of the year, with the target of improving the Group's long-term competitiveness and profitability. The cost savings programme will continue. Plans to downsize Seppälä's operations are estimated to be finalized by the end of the year.

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

Due to the weaker-than-estimated performance, particularly in Seppälä's business, and unstable outlook for the rest of 2014, Stockmann's profit guidance for the year was changed on 14 October.

Stockmann estimates that the Group's euro-denominated revenue in 2014 will decline on 2013. The Group's operating result excluding non-recurring items is expected to be negative in 2014.

Helsinki, Finland, 28 October 2014

STOCKMANN plc
Board of Directors

CONDENSED FINANCIAL STATEMENTS AND NOTES

ACCOUNTING POLICIES

This Interim Report 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.

CONSOLIDATED INCOME STATEMENT

EUR mill.	**1.1.–30.9.2014**	1.1.–30.9.2013	1.1.–31.12.2013
REVENUE	**1 295.9**	1 429.3	2 037.1
Other operating income	**0.0**	0.0	0.0
Materials and consumables	**−676.3**	−739.8	−1 046.9
Wages, salaries and employee benefits expenses	**−283.6**	−291.6	−397.8
Deprecation, amortisation and impairment losses	**−53.6**	−55.2	−74.4
Other operating expenses	**−337.5**	−336.5	−463.6
Total expenses	**−1 351.0**	−1 423.2	−1 982.7
OPERATING PROFIT/LOSS	**−55.1**	6.1	54.4
Finance income	**0.4**	4.2	4.5
Finance expenses	**−17.9**	−22.8	−32.1
Total finance income and expenses	**−17.4**	−18.6	−27.6
PROFIT/LOSS BEFORE TAX	**−72.6**	−12.5	26.8
Income taxes	**10.8**	24.4	21.6
PROFIT/LOSS FOR THE PERIOD	**−61.7**	11.9	48.4
Profit/loss for the period attributable to:			
Equity holders of the parent company	**−61.7**	11.9	48.4
Non-controlling interest	**0.0**	0.0	0.0
EPS, undiluted, adjusted for share issue, EUR	**−0.86**	0.16	0.67
EPS, diluted, adjusted for share issue, EUR	**−0.86**	0.16	0.67

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR mill.	**1.1.–30.9.2014**	1.1.–30.9.2013	1.1.–31.12.2013
PROFIT/LOSS FOR THE PERIOD	**−61.7**	11.9	48.4
Net other comprehensive income which will not be reclassified to profit or loss in subsequent periods			
Remeasurement gains/losses on defined benefit pension liability	**0.0**	0.0	0.1
Net other comprehensive income which will be reclassified to profit or loss in subsequent periods			
Exchange differences on translating foreign operations	**−5.0**	−7.4	−5.8
Cash flow hedges	**3.1**	0.3	0.5
Other comprehensive income for the period, net of tax	**−1.9**	−7.2	−5.3
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**−63.6**	4.7	43.1
Total comprehensive income attributable to:			
Equity holders of the parent company	**−63.6**	4.7	43.1
Non-controlling interest	**0.0**	0.0	0.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR mill.	30.9.2014	30.9.2013	31.12.2013
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Trademark	**99.4**	105.0	102.6
Intangible rights	**60.4**	32.2	38.8
Other intangible assets	**4.0**	2.4	3.1
Advance payments and construction in progress	**5.8**	28.8	24.0
Goodwill	**768.3**	811.7	793.2
Intangible assets, total	**937.9**	980.1	961.8
Property, plant and equipment			
Land and water	**42.1**	42.1	42.1
Buildings and constructions	**429.8**	443.3	440.4
Machinery and equipment	**81.6**	98.6	95.8
Modification and renovation expenses for leased premises	**27.8**	33.1	32.4
Advance payments and construction in progress	**17.9**	9.5	5.8
Property, plant and equipment, total	**599.2**	626.7	616.5
Non-current receivables	**0.6**	4.1	0.5
Available-for-sale investments	**7.8**	7.9	7.9
Deferred tax asset	**16.9**	10.3	17.3
NON-CURRENT ASSETS, TOTAL	**1 562.3**	1 629.0	1 604.0
CURRENT ASSETS			
Inventories	**334.4**	349.2	285.8
Current receivables			
Interest-bearing receivables	**37.0**	60.0	43.1
Income tax receivables	**19.3**	12.5	0.8
Non-interest-bearing receivables	**89.1**	76.7	76.9
Current receivables, total	**145.4**	149.2	120.9
Cash and cash equivalents	**18.3**	19.4	33.9
CURRENT ASSETS, TOTAL	**498.0**	517.8	440.6
ASSETS, TOTAL	**2 060.4**	2 146.8	2 044.6

EUR mill.	30.9.2014	30.9.2013	31.12.2013
EQUITY AND LIABILITIES			
EQUITY			
Share capital	**144.1**	144.1	144.1
Share premium fund	**186.1**	186.1	186.1
Invested unrestricted equity fund	**250.4**	250.5	250.5
Other funds	**46.5**	43.2	43.4
Translation reserve	**−0.8**	2.5	4.1
Retained earnings	**176.4**	229.9	266.8
Equity attributable to equity holders of the parent company	**802.6**	856.3	894.9
Non-controlling interest	**0.0**	0.0	0.0
EQUITY, TOTAL	**802.6**	856.3	894.9
NON-CURRENT LIABILITIES			
Deferred tax liabilities	**62.0**	67.7	61.5
Non-current interest-bearing liabilities	**636.0**	495.7	469.4
Provisions for pensions	**0.1**	0.2	0.1
Non-current non-interest-bearing liabilities and provisions	**0.4**	0.4	0.4
NON-CURRENT LIABILITIES, TOTAL	**698.5**	564.1	531.4
CURRENT LIABILITIES			
Current interest-bearing liabilities	**299.5**	481.6	345.4
Current non-interest-bearing liabilities			
Trade payables and other current liabilities	**255.2**	238.6	269.4
Income tax liabilities	**4.4**	5.8	3.3
Current provisions	**0.2**	0.4	0.2
Current non-interest-bearing liabilities, total	**259.8**	244.8	272.8
CURRENT LIABILITIES, TOTAL	**559.3**	726.4	618.3
LIABILITIES, TOTAL	**1 257.8**	1 290.5	1 149.7
EQUITY AND LIABILITIES, TOTAL	**2 060.4**	2 146.8	2 044.6

CONSOLIDATED CASH FLOW STATEMENT

EUR mill.	**1.1.–30.9.2014**	1.1.–30.9.2013	1.1.–31.12.2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/loss for the period	**–61.7**	11.9	48.4
Adjustments for:			
Depreciation, amortisation and impairment losses	**53.6**	55.2	74.4
Gains (-) and losses (+) of disposals of fixed assets and other non-current assets	**1.3**	0.3	0.6
Interest and other financial expenses	**17.9**	22.8	32.1
Interest income	**–0.4**	–4.2	–4.5
Income taxes	**–10.8**	–24.4	–21.6
Other adjustments	**0.2**	0.5	0.5
Working capital changes:			
Increase (-) /decrease (+) in inventories	**–51.6**	–56.1	6.8
Increase (-) / decrease (+) in trade and other current receivables	**–6.2**	7.0	0.5
Increase (+) / decrease (-) in current liabilities	**–6.7**	–47.7	–4.8
Interest expenses paid	**–14.9**	–20.2	–26.4
Interest received from operating activities	**0.2**	0.9	4.3
Other financing items from operating activities	**–1.8**	0.0	–1.8
Income taxes paid from operating activities	**–6.5**	–3.8	17.0
Net cash from operating activities	**–87.3**	–57.8	125.4
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of tangible and intagible assets	**–43.7**	–46.5	–61.1
Dividends received from investing activities	**0.1**	0.1	0.2
Net cash used in investing activities	**–43.6**	–46.4	–60.9
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue	**0.0**	0.0	0.0
Proceeds from current liabilities	**275.7**	433.2	324.0
Repayment of current liabilities	**–332.9**	–268.1	–316.2
Proceeds from non-current liabilities	**453.9**	84.2	86.4
Repayment of non-current liabilities	**–256.7**	–120.6	–114.9
Payment of finance lease liabilities	**–0.6**	–3.5	–4.7
Dividends paid	**–28.8**	–43.2	–43.1
Net cash used in financing activities	**110.6**	82.1	–68.5
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**–20.3**	–22.1	–4.0
Cash and cash equivalents at the beginning of the period	**33.9**	36.1	36.1
Cheque account with overdraft facility	**–6.1**	–3.9	–3.9
Cash and cash equivalents at the beginning of the period	**27.8**	32.2	32.2
Net increase/decrease in cash and cash equivalents	**–20.3**	–22.1	–4.0
Effects of exchange rate fluctuations on cash held	**–0.3**	–0.1	–0.4
Cash and cash equivalents at the end of the period	**18.3**	19.4	33.9
Cheque account with overdraft facility	**–11.0**	–9.4	–6.1
Cash and cash equivalents at the end of the period	**7.3**	10.1	27.8

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR mill.	Share capital	Share premum 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							1.4	**1.4**		**1.4**
Comprehensive income for the period										
Profit for the period							11.9	**11.9**		**11.9**
Exchange differences on translating foreign operations						−7.4		**−7.4**		**−7.4**
Cash flow hedges			0.3					**0.3**		**0.3**
Total comprehensive income for the period*			0.3			−7.4	11.9	**4.7**		**4.7**
SHAREHOLDERS' EQUITY 30.9.2013	144.1	186.1	−0.7	250.5	43.9	2.5	229.9	**856.3**	0.0	**856.3**

EUR mill.	Share capital	Share premum 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							−0.1	**−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**		**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**

EUR mill.	Share capital	Share premum fund	Hedging reserve*	Reserve for unrestricted equity	Other reserves	Translation differences	Retained earnings	**Total**	Non-controlling interest	**Total**
SHAREHOLDERS' EQUITY 1.1.2014	144.1	186.1	−0.5	250.5	43.9	4.1	266.8	**894.9**	0.0	**894.9**
Dividend distribution							−28.8	**−28.8**		**−28.8**
Options exercised							0.2	**0.2**		**0.2**
Share premium				0.0				**0.0**		**0.0**
Other changes							0.0	**0.0**		**0.0**
Comprehensive income for the period										
Profit for the period							−61.7	**−61.7**		**−61.7**
Exchange differences on translating foreign operations						−5.0		**−5.0**		**−5.0**
Cash flow hedges			3.1					**3.1**		**3.1**
Total comprehensive income for the period*			3.1			−5.0	−61.7	**−63.6**		**−63.6**
SHAREHOLDERS' EQUITY 30.9.2014	144.1	186.1	2.6	250.4	43.9	−0.8	176.4	**802.6**	0.0	**802.6**

* Adjusted with deferred tax liability

GROUP'S OPERATING SEGMENTS

Revenue, EUR mill.	**1.1.–30.9.2014**	1.1.–30.9.2013	1.1.–31.122013
Department Store Division	**749.5**	840.5	1 232.6
Fashion Chain Division	**546.3**	589.4	805.2
Segments, total	**1 295.7**	1 429.9	2 037.8
Unallocated	**0.2**	−0.6	−0.8
Group total	**1 295.9**	1 429.3	2 037.1

Operating profit/loss, EUR mill.	**1.1.–30.9.2014**	1.1.–30.9.2013	1.1.–31.12.2013
Department Store Division	**−45.8**	−8.0	26.0
Fashion Chain Division	**−2.9**	21.0	38.6
Segments, total	**−48.7**	13.1	64.6
Unallocated	**−6.4**	−7.0	−10.2
Group total	**−55.1**	6.1	54.4
Reconciliation to the item profit/loss before tax:			
Financial income	**0.4**	4.2	4.5
Financial expenses	**−17.9**	−22.8	−32.1
Consolidated profit/loss before tax	**−72.6**	−12.5	26.8

Depreciation, amortisation and impairment losses, EUR mill.	**1.1.–30.9.2014**	1.1.–30.9.2013	1.1.–31.12.2013
Department Store Division	**31.2**	31.0	42.2
Fashion Chain Division	**20.3**	22.7	29.7
Segments, total	**51.5**	53.6	71.8
Unallocated	**2.1**	1.6	2.6
Group total	**53.6**	55.2	74.4

Capital expenditure, gross, EUR mill.	**1.1.–30.9.2014**	1.1.–30.9.2013	1.1.–31.12.2013
Department Store Division	**23.9**	18.1	26.9
Fashion Chain Division	**16.0**	22.3	24.7
Segments, total	**39.9**	40.4	51.5
Unallocated	**2.8**	3.3	5.2
Group total	**42.7**	43.7	56.8

Assets, EUR mill.	**1.1.–30.9.2014**	1.1.–30.9.2013	1.1.–31.12.2013
Department Store Division	**907.1**	915.5	868.0
Fashion Chain Division	**1 087.9**	1 178.2	1 124.2
Segments, total	**1 995.0**	2 093.7	1 992.2
Unallocated	**65.4**	53.1	52.1
Group total	**2 060.4**	2 146.8	2 044.3

INFORMATION ON MARKET AREAS

Revenue, EUR mill.	**1.1.–30.9.2014**	1.1.–30.9.2013	1.1.–31.122013
Finland 1)	**601.9**	675.7	983.2
Sweden and Norway 2)	**375.9**	398.5	548.2
Baltic countries and Central Europe 1) *	**113.0**	111.9	159.9
Russia 1)	**205.1**	243.2	345.7
Group total	**1 295.9**	1 429.3	2 037.1
Finland %	**46.4%**	47.3%	48.3%
International operations %	**53.6%**	52.7%	51.7%

**Operating profit/loss, EUR mill. ** **	**1.1.–30.9.2014**	1.1.–30.9.2013	1.1.–31.12.2013
Finland 1)	**−52.9**	−17.4	−0.9
Sweden and Norway 2)	**25.7**	36.6	59.0
Baltic countries and Central Europe 1) *	**−1.9**	−1.9	2.7
Russia 1)	**−25.9**	−11.3	−6.4
Group total	**−55.1**	6.1	54.4

Non-current assets, EUR mill.	**1.1.–30.9.2014**	1.1.–30.9.2013	1.1.–31.12.2013
Finland 1)	**485.4**	483.3	480.2
Sweden and Norway 2)	**819.9**	874.3	850.4
Baltic countries and Central Europe 1) *	**39.9**	41.1	40.7
Russia 1)	**200.2**	220.0	215.1
Group total	**1 545.5**	1 618.7	1 586.4
Finland %	**31.4%**	29.9%	30.3%
International operations %	**68.6%**	70.1%	69.7%

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	**30.9.2014**	30.9.2013	31.12.2013
RUB	**49.7653**	43.8240	45.3246
LTL	**3.4528**	3.4528	3.4528
NOK	**8.1190**	8.1140	8.3630
SEK	**9.1465**	8.6575	8.8591
Average rate for the period	**1.1.–30.9.2014**	1.1.–30.9.2013	1.1.–31.12.2013
RUB	**48.0330**	41.6650	42.3362
LTL	**3.4528**	3.4528	3.4528
NOK	**8.2749**	7.6604	7.8075
SEK	**9.0389**	8.5803	8.6514

KEY FIGURES OF THE GROUP

	30.9.2014	30.9.2013	31.12.2013
Equity ratio, per cent	**39.0**	39.9	43.8
Net gearing, per cent	**114.3**	111.5	87.3
Cash flow from operating activities per share, EUR	**−1.2**	−0.8	1.7
Interest-bearing net debt, EUR mill.	**880.2**	894.4	737.8
Number of shares at the end of the period, thousands	**72 049**	72 049	72 049
Weighted average number of shares, thousands	**72 049**	72 049	72 049
Weighted average number of shares, diluted, thousands	**72 049**	72 049	72 049
Market capitalization, EUR mill.	**623.1**	912.8	796.0
Operating profit, per cent of turnover	**−4.3**	0.4	2.7
Equity per share, EUR	**11.14**	11.88	12.42
Return on equity, rolling 12 months, per cent	**−3.0**	7.0	5.4
Return on capital employed, rolling 12 months, per cent	**−0.3**	3.6	3.4
Average number of employees, converted to full-time equivalents	**11 094**	11 277	11 422
Capital expenditure, EUR mill.	**42.7**	43.7	56.8

DEFINITIONS OF KEY FIGURES:

Equity ratio, per cent = 100 x

$$\frac{\text{Equity + minority interest}}{\text{Total assets – advance payments received}}$$

Net gearing, per cent = 100 x

$$\frac{\text{Interest-bearing liabilities – cash and cash equivalents – non-current interenst-bearing receivables}}{\text{Equity total}}$$

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 =

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

Return on equity, per cent, rolling 12 months = 100 x

$$\frac{\text{Profit for the period (12 months)}}{\text{Equity + minority interest (average over 12 months)}}$$

Return on capital employed, per cent, rolling 12 months = 100 x

$$\frac{\text{Profit before taxes + interest and other financial expenses (12 months)}}{\text{Capital employed (average over 12 months)}}$$

INFORMATION PER QUARTER

Consolidated income statement per quarter

EUR mill.	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012
Revenue	**405.0**	495.3	395.6	607.8	454.4	543.6	431.3	643.8
Other operating income	**0.0**	0.0	0.0	0.0	0.0	0.0	0.0	0.6
Materials and consumables	**−203.9**	−256.8	−215.5	−307.1	−229.6	−276.5	−233.7	−325.3
Wages, salaries and employee benefits expenses	**−87.3**	−98.9	−97.5	−106.2	−89.6	−101.7	−100.3	−111.0
Depreciation, amortisation and impairment losses	**−17.2**	−18.2	−18.2	−19.2	−18.4	−18.3	−18.6	−19.0
Other operating expenses	**−111.4**	−117.8	−108.3	−127.0	−106.2	−117.0	−113.4	−132.4
Operating profit/loss	**−14.8**	3.5	−43.9	48.3	10.7	30.1	−34.6	56.8
Finance income	**0.2**	0.1	0.1	0.3	3.8	−1.0	1.4	−0.5
Finance expenses	**−4.9**	−7.4	−5.6	−9.3	−7.9	−7.5	−7.4	−8.2
Total financial income and expenses	**−4.7**	−7.3	−5.5	−9.0	−4.1	−8.5	−6.0	−8.7
Profit/loss before tax	**−19.5**	−3.8	−49.3	39.3	6.5	21.6	−40.7	48.2
Income taxes	**5.9**	−4.3	9.2	−2.8	22.4	−2.1	4.1	−0.4
Profit/loss for the period	**−13.6**	−8.1	−40.1	36.5	28.9	19.5	−36.5	47.7

Earnings per share per quarter

EUR	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012
Undiluted	**−0.19**	−0.11	−0.56	0.51	0.40	0.27	−0.51	0.66
Diluted	**−0.19**	−0.11	−0.56	0.51	0.40	0.27	−0.51	0.66

Segment information per quarter

EUR mill.	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012
Revenue								
Department Store Division	**214.0**	293.7	241.7	392.1	245.2	325.1	270.2	423.5
Fashion Chain Division	**190.9**	201.6	153.8	215.9	209.4	218.7	161.3	221.0
Unallocated	**0.1**	0.1	0.1	−0.1	−0.2	−0.2	−0.2	−0.7
Group total	**405.0**	495.3	395.6	607.8	454.4	543.6	431.3	643.8
Operating profit/loss								
Department Store Division	**−16.8**	−6.9	−22.1	34.0	−3.6	11.6	−15.9	41.6
Fashion Chain Division	**4.2**	13.2	−20.3	17.6	16.1	22.3	−17.4	19.2
Unallocated	**−2.1**	−2.8	−1.5	−3.3	−1.8	−3.8	−1.3	−4.0
Group total	**−14.8**	3.5	−43.9	48.3	10.7	30.1	−34.6	56.8

Information on market areas

EUR mill.	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012
Revenue								
Finland 1)	**179.9**	231.4	190.6	307.5	206.0	258.3	211.4	329.9
Sweden and Norway 2)	**129.0**	142.4	104.5	149.7	140.1	148.9	109.5	149.0
Baltic countries and Central Europe 1) *	**36.5**	41.5	35.0	48.1	37.1	42.5	32.3	48.4
Russia 1)	**59.6**	80.0	65.4	102.5	71.3	93.9	78.1	116.6
Group total	**405.0**	495.3	395.6	607.8	454.4	543.6	431.3	643.8
Finland %	**44.4%**	46.7%	48.2%	50.6%	45.3%	47.5%	49.0%	51.2%
International operations %	**55.6%**	53.3%	51.8%	49.4%	54.7%	52.5%	51.0%	48.8%
Operating profit/loss **								
Finland 1)	**−16.4**	−13.4	−23.1	16.5	−1.0	2.2	−18.5	23.1
Sweden and Norway 2)	**10.2**	19.9	−4.5	22.4	17.3	23.4	−4.1	19.2
Baltic countries and Central Europe 1) *	**0.3**	0.7	−2.9	4.5	0.7	1.0	−3.5	4.7
Russia 1)	**−8.9**	−3.7	−13.3	4.9	−6.2	3.5	−8.5	9.8
Group total	**−14.8**	3.5	−43.9	48.3	10.7	30.1	−34.6	56.8

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.	**30.9.2014**	30.9.2013	31.12.2013
Mortages on land and buildings	**1.7**	201.7	1.7
Pledges and guarantees	**7.9**	8.1	8.1
Liabilities of adjustments of VAT deductions made on investments to immovable property	**19.9**	23.1	23.3
Total	**29.6**	232.9	33.0

Lease agreements on the Group's business premises, EUR mill.	**30.9.2014**	30.9.2013	31.12.2013
Minimum rents payable on the basis of binding lease agreements on business premises			
Within one year	**179.0**	172.5	187.5
After one year	**973.8**	651.0	694.3
Total	**972.8**	823.5	881.8

Group's lease payments, EUR mill.	**30.9.2014**	30.9.2013	31.12.2013
Within one year	**0.5**	0.7	0.6
After one year	**1.5**	1.2	1.1
Total	**2.0**	1.9	1.7

Group's derivate contracts, EUR mill.	**30.9.2014**	30.9.2013	31.12.2013
Nominal value			
Currency derivatives	**355.8**	640.4	582.8
Electricity derivates	**0.8**	1.5	0.9
Total	**356.5**	641.9	583.7

CONSOLIDATED ASSETS AND GOODWILL

Assets, EUR mill.	**30.9.2014**	30.9.2013	31.12.2013
Acquisition cost at the beginning of the period	**2 060.6**	2 054.7	2 054.7
Translation difference +/-	**-30.1**	-14.3	-38.7
Increases during the period	**42.7**	43.7	56.8
Decreases during the period	**-9.2**	-7.4	-9.3
Transfers between items during the period	**0.0**	-2.8	-2.8
Acquisition cost at the end of the period	**2 064.0**	2 073.8	2 060.6
Accumulated depreciation at the beginning of the period	**-482.3**	-423.5	-423.5
Translation difference +/-	**1.2**	4.8	7.3
Depreciation on reductions during the period	**7.8**	6.8	8.3
Depreciation ans amortisation during the period	**-53.6**	-55.2	-74.4
Accumulated depreciation at the end of the period	**-526.9**	-467.0	-482.3
Carrying amount at the beginning of the period	**1 578.3**	1 631.2	1 631.2
Carrying amount at the end of the period	**1 537.1**	1 606.8	1 578.3

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

Goodwill, EUR mill.	**30.9.2014**	30.9.2013	31.12.2013
Acquisition cost at the beginning of the period	**793.2**	818.8	818.8
Translation difference +/-	**-24.9**	-7.1	-25.6
Acquisition cost at the end of the period	**768.3**	811.7	793.2
Carrying amount at the beginning of the period	**793.2**	818.8	818.8
Carrying amount at the end of the period	**768.3**	811.7	793.2

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 30.9.2014	Fair value 30.9.2014	Carrying amount 30.9.2013	Fair value 30.9.2013	Carrying amount 31.12.2013	Fair value 31.12.2013
Derivative contracts, hedge accounting applied	2	**3.2**	**3.2**	0.4	0.4	0.2	0.2
Financial assets at fair value through profit or loss							
Derivative contracts, hedge accounting not applied							
Currency derivatives	2	**4.3**	**4.3**	3.9	3.9	6.9	6.9
Electricity derivatives	1	**0.0**	**0.0**	0.0	0.0	0.0	0.0
Financial assets at amortized cost							
Non-current receivables		**0.6**	**0.6**	4.0	4.0	0.5	0.5
Current receivables, interest-bearing		**37.0**	**37.0**	60.0	60.0	43.1	43.1
Current receivables, non-interest-bearing		**81.5**	**81.5**	72.4	72.4	69.8	69.8
Cash and cash equivalents		**18.3**	**18.3**	19.4	19.4	33.9	33.9
Available-for-sale financial assets	3	**7.8**	**7.8**	7.9	7.9	7.9	7.9
Financial assets, total		**152.8**	**152.8**	168.0	168.0	162.4	162.4

Financial liabilities, EUR mill.	Level	Carrying amount 30.9.2014	Fair value 30.9.2014	Carrying amount 30.9.2013	Fair value 30.9.2013	Carrying amount 31.12.2013	Fair value 31.12.2013
Derivative contracts, hedge accounting applied	2	**0.0**	**0.0**	1.3	1.3	0.9	0.9
Financial liabilities at fair value through profit or loss							
Derivative contracts, hedge accounting not applied							
Currency derivatives	2	**0.4**	**0.4**	2.4	2.4	2.9	2.9
Electricity derivatives	1	**0.1**	**0.1**	0.1	0.1	0.2	0.2
Financial liabilities at amortized cost							
Non-current interest-bearing liabilities	2	**636.0**	**632.1**	495.7	494.7	469.4	466.5
Current liabilities, interest-bearing	2	**299.5**	**299.9**	481.6	482.5	345.4	346.3
Current liabilities, non-interest-bearing		**254.8**	**254.8**	234.9	234.9	265.5	265.5
Financial liabilities, total		**1 190.8**	**1 187.3**	1 216.1	1 215.8	1 084.3	1 082.3

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.	30.9.2014	30.9.2013	31.12.2013
Carrying amount Jan. 1	**7.9**	5.0	5.0
Sale of shares	**0.0**	0.0	0.0
Transfers between items	**0.0**	2.8	2.8
Total	**7.8**	7.9	7.9

Stockmann plc
Aleksanterinkatu 52 B
P.O. Box 220
FI-00101 HELSINKI, FINLAND
Tel. +358 9 1211
stockmanngroup.com