FINANCIAL STATEMENTS BULLETIN 2019

STOCKMANN

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Stockmann Group's adjusted operating result improved in the fourth quarter

October–December 2019, continuing operations

- Consolidated revenue was EUR 285.7 million (304.5), down 5.1% in comparable currency rates.
- Gross margin was 56.6% (55.6).
- Operating result was EUR 22.4 million (-2.8).
- Adjusted operating result was EUR 28.0 million (23.5, or 19.1 excluding Nevsky Centre).
- Earnings per share were EUR -0.01 (-0.12)
- Adjusted earnings per share were EUR 0.07 (0.25).

January–December 2019, continuing operations

- Consolidated revenue was EUR 960.4 million (1 018.8), down 4.5% in comparable currency rates.
- Gross margin was 56.3% (56.9).
- Operating result was EUR 13.3 million (-5.0).
- Adjusted operating result was EUR 29.0 million (28.4, or 10.4 excluding Nevsky Centre).
- Earnings per share were EUR -0.84 (-0.68).
- Adjusted earnings per share were EUR -0.63 (-0.22).

The Board of Directors will propose that no dividend be paid for the financial year 2019.

The Group's 2019 figures include changes due to IFRS 16. Comparison figures for 2018 are not restated. The IFRS 16 items are presented in the table "Impact of IFRS 16".

Guidance for 2020:

Stockmann expects the Group's operating profit to improve clearly in 2020 (2019: EUR 13.3 million).

CEO Jari Latvanen:

In 2019 major changes took place in Stockmann's businesses. We renewed our strategy and launched a new clarified vision, mission and values towards the end of the year. The first effects of our strategic actions and ongoing transformation are emerging in our financial results.

Revenue in 2019 was EUR 960 million. Adjusted operating profit was EUR 29 million. The positive operating result was achieved through the rejuvenation program and ongoing savings and the improved performance of both Lindex and Stockmann. Due to seasonality, most of the year's earnings were achieved in the fourth quarter.

Lindex had a strong full-year result with increased profitability in all markets, sales channels and business areas. During the fourth quarter, Lindex's adjusted operating profit improved due to good gross margin development and cost control. In August, Stockmann announded that the Board of Director's decided to investigate strategic alternatives for Lindex ownership. The process is developing as planned.

In 2019 we made several significant organisational and business decisions that contributed to lower revenue. The Stockmann division's business remained loss-making for the full-year, however the last quarter was profitable.

In 2020 we will work decisively towards our main target of returning our department store business to a sustainable level by 2021. There are several ongoing projects and reforms to improve the trend and we are proceeding according to plans. Our target is to improve the Group's operating result in 2020. All steps taken will drive us towards this goal.

KEY FIGURES

Continuing operations	10–12/2019	10–12/2018	1–12/2019	1–12/2018
Revenue, EUR mill.	**285.7**	304.5	**960.4**	1 018.8
Gross margin, %	**56.6**	55.6	**56.3**	56.9
EBITDA, EUR mill.	**57.2**	36.2	**153.0**	76.0
Adjusted EBITDA, EUR mill.	**62.8**	37.5	**168.6**	84.3
Operating result (EBIT), EUR mill.	**22.4**	−2.8	**13.3**	−5.0
Adjusted operating result (EBIT), EUR mill.	**28.0**	23.5	**29.0**	28.4
Net financial items, EUR mill.	**−12.3**	−9.2	**−52.7**	−34.6
Result before tax, EUR mill.	**10.1**	−12.0	**−39.3**	−39.6
Result for the period, EUR mill.	**1.9**	−7.0	**−54.3**	−43.7
Earnings per share, undiluted and diluted, EUR	**−0.01**	−0.12	**−0.84**	−0.68
Personnel, average	**6 924**	7 191	**7 002**	7 241

Continuing and discontinued operations	10–12/2019	10–12/2018	1–12/2019	1–12/2018
Net earnings per share, undiluted and diluted, EUR	**−0.01**	−0.14	**−0.84**	−0.70
Cash flow from operating activities, EUR mill.	**69.9**	82.1	**102.3**	82.9
Capital expenditure, EUR mill.	**9.6**	8.2	**33.8**	29.3
Equity per share, EUR			**11.12**	11.71
Net gearing, %			**112.4**	64.5
Equity ratio, %			**38.1**	46.2
Number of shares, undiluted and diluted, weighted average, 1 000 pc			**72 049**	72 049
Return on capital employed, rolling 12 months, %			**0.9**	−0.4

ITEMS AFFECTING COMPARABILITY

EUR million	10–12/2019	10–12/2018	1–12/2019	1–12/2018
EBITDA	**57.2**	36.2	**153.0**	76.0
Adjustments to EBITDA				
Restructuring and transformation measures	**5.8**	0.1	**15.2**	3.3
Gain or loss on sale of properties	**−0.3**	0.1	**0.4**	−6.8
Value adjustment to assets held for sale		1.1		11.9
Adjustments total	**5.5**	1.3	**15.6**	8.4
Adjusted EBITDA	**62.8**	37.5	**168.6**	84.3

EUR million	10–12/2019	10–12/2018	1–12/2019	1–12/2018
Operating result (EBIT)	**22.4**	−2.8	**13.3**	−5.0
Adjustments to EBIT				
Goodwill impairment		25.0		25.0
Restructuring and transformation measures	**5.8**	0.1	**15.2**	3.3
Gain or loss on sale of properties	**−0.3**	0.1	**0.4**	−6.8
Value adjustment to assets held for sale		1.1		11.9
Adjustments total	**5.5**	26.3	**15.6**	33.4
Adjusted operating result (EBIT)	**28.0**	23.5	**29.0**	28.4

STRATEGY

Lindex's aim is to further strengthen international growth and in particular digital transformation. Lindex has a strong market position in the Nordics, with a rapidly growing e-commerce business through its own channels and together with global online partners well-performing flexible store network, and improving profitability. As stated earlier Stockmann continues to investigate strategic alternatives for Lindex's ownership.

The Stockmann division's two-year rejuvenation process progresses well. The target is to make Stockmann a marketplace for good life that offers the best and most inspiring products in fashion, beauty and home. Focus is strongly on excellent customer service and qualitative customer experiences. The offering is renewed and the range of sustainable brands is increasing to better meet the needs of our customers.

Both Stockmann and Lindex continue to systematically develop digital services and technology solutions to strengthen their multichannel approach. Stockmann is renewing its department stores in Helsinki and Jumbo and launching a new online store during the summer 2020.

The Stockmann division's rejuvenation programme which includes cost savings and other efficiency measures continues as planned. To turn Stockmann's result into profit, the business requires significant renewal and reduction of costs.

As of 1 July 2019 a new operating model and new structure was introduced, and approximately 150 positions were ended. As of 1 February 2020, the Stockmann division simplified its organisation further and launched a new customer and category based organisation. Savings emerged towards the end of 2019, and will be clearly evident in the 2020 results. Roughly one third of the targeted savings was achieved during 2019.

In 2019 Stockmann renegotiated its contracts with several ICT partners and achieved cost savings. Also a new loyal customer programme was introduced in October, and marketing efforts are targeted in a new focused way.

IMPACT OF IFRS 16

EUR million, quarterly	Reported 10–12/2019	IFRS 16 items 10–12/2019	Excluding IFRS 16 items 10–12/2019	Reported 10–12/2018
Revenue	285.7	−0.5	286.2	304.5
EBITDA	57.2	24.5	32.8	36.2
Adjusted EBITDA	62.8	24.5	38.3	37.5
Depreciation	34.8	20.3	14.5	13.9
Operating result (EBIT)	22.4	4.2	18.3	−2.8
Adjusted operating result (EBIT)	28.0	4.2	23.8	23.5
Net financial items	−12.3	−6.2	−6.0	−9.2
Net result	1.9	−1.6	3.5	−8.4
Cash flow from operating activities	69.9	18.2	51.7	82.1

EUR million, YTD	Reported 1–12/2019	IFRS 16 items 1–12/2019	Excluding IFRS 16 items 1–12/2019	Reported 1–12/2018
Revenue	960.4	−2.1	962.6	1 018.8
EBITDA	153.0	100.0	53.0	76.0
Adjusted EBITDA	168.6	100.0	68.6	84.3
Depreciation	139.6	83.9	55.7	55.9
Operating result (EBIT)	13.3	16.1	−2.8	−5.0
Adjusted operating result (EBIT)	29.0	16.1	12.9	28.4
Net financial items	−52.7	−26.1	−26.6	−34.6
Net result	−54.3	−7.9	−46.4	−45.2
Assets	2 103.2	505.5	1 597.7	1 827.9
Interest-bearing net debt	900.2	512.8	387.4	543.6
Cash flow from operating activities	102.3	73.9	28.4	82.9

Stockmann uses Alternative Performance Measures according to the guidelines of the European Securities and Market Authority (ESMA) to better reflect the operational business performance and to facilitate comparisons between financial periods. Gross profit is calculated by deducting the costs of goods sold from the revenue, and gross margin is calculated by dividing gross profit by the revenue as a percentage. EBITDA is calculated from the operating result excluding depreciation, amortisation and impairment losses. Adjusted EBITDA and adjusted operating result (EBIT) are measures which exclude non-recurring items and other adjustments affecting comparability from the reported EBITDA and the reported operating result (EBIT).

MARKET ENVIRONMENT

The uncertainties in the global economy, due to Brexit and the trade war between the USA and China, for example, remained during the fourth quarter.

The consumer confidence indicator in the Finnish economy has been negative since January 2019, and it was increasingly negative during the fourth quarter 2019. The fashion market in Finland in January–December was down, at -0.6% (-2.6%, source: Statistics Finland and Fashion and Sport Commerce Association, TMA). Swedish Krona weakened against euro during 2019.

In Sweden, the general economic situation continued its stable development. The fashion market in Sweden in January–December was down, at -1.8% (-3.0, source: Swedish Trade Federation, Stilindex).

The retail market continued its growth both in Estonia and Latvia.

REVENUE AND EARNINGS IN CONTINUING OPERATIONS

The Group's 2019 figures include changes due to IFRS 16. Comparison figures for 2018 are not restated. Further information on changes in accounting principles can be found in the notes to the Financial Statements.

October–December 2019

The Stockmann Group's fourth-quarter revenue was EUR 285.7 million (304.5). Revenue was down by 6.2% on the previous year in euros.Revenue was down by 5.1% in comparable currency rates or 3.3 % without Nevsky Centre.

The revenue in Finland was down by 5.5%, to EUR 117.2 million (124.1). Revenue in other countries was EUR 169.0 million (180.5); down by 6.4% or down by 1.3% in comparable currency rates excluding the Nevsky Centre.

The gross profit amounted to EUR 161.7 million (169.3) and the gross margin was 56.6% (55.6). The gross margin was up in Lindex but down in Stockmann.

Operating costs were down by EUR 28.6 million, since rental payments for leased premises are not recognised as a cost due to IFRS 16. Including rental payments, operating costs were down by EUR 3.6 million, or down by 7.8 million including adjustments related to restructuring and other transformation measures. Operating costs amounted to EUR 104.4 million (133.0).

The Group's adjusted EBITDA was EUR 62.8 million (37.5). Depreciation increased to EUR 34.8 million (13.9) due to the leases being recognised as right-of-use assets in the balance sheet and depreciated over the contract period as an impact of IFRS 16.

The operating result for the fourth quarter was EUR 22.4 million (-2.8). The operating result increased in Stockmann but decreased in Lindex. The adjusted operating result was EUR 28.0 million (23.5, or 19.1 excluding Nevsky Centre).The impact of IFRS 16 on the operating result was EUR 4.2 million.

Net financial expenses were EUR 12.3 million (9.2). The increase is due to the impact of IFRS 16. Excluding IFRS 16, financial expenses were down due to decreased interest-bearing liabilities. The result before taxes was EUR 10.1 million (-12.0).

January–December 2019

The Stockmann Group's revenue for the period was EUR 960.4 million (1 018.8). Revenue was down by 5.7% from the previous year in euros, or down by 4.5% in comparable currency rates.

The revenue in Finland was down by 4.4%, to EUR 369.1 million (386.2). Revenue in other countries was EUR 593.5 million (632.6); down by 6.2% or down by 0.9% in comparable currency rates and excluding the Nevsky Centre.

The gross profit amounted to EUR 540.9 million (580.1) and the gross margin was 56.3 % (56.9). The gross margin was up in Lindex but down in Stockmann.

Operating costs were down by EUR 122.9 million, since rental payments for leased premises are not recognised as a cost due to IFRS 16. Excluding rental payments, operating costs were down by EUR 20.8 million, or by EUR 21.1 million including adjustments related to restructuring and other transformation measures. Operating costs amounted to EUR 388.0 million (510.9).

The Group's adjusted EBITDA was EUR 168.6 million (84.3). Depreciation increased to EUR 139.6 million (55.9) due to the leases being recognised as right-of-use assets in the balance sheet and depreciated over the contract period as an impact of IFRS 16.

The operating result for the period was EUR 13.3 million (-5.0). The adjusted operating result was EUR 29.0 million (28.4, or 10.4 excluding Nevsky Centre). The impact of IFRS 16 on the operating result was EUR 16.1 million.

Net financial expenses were EUR 52.7 million (34.6). The impact of IFRS 16 on the net financial expenses was EUR 26.1 million. Excluding IFRS 16, financial expenses were down due to decreased interest-bearing liabilities. The result before taxes was EUR -39.3 million (-39.6).

Taxes for the period totalled EUR 14.9 million (4.2). Additional taxes of EUR 15.9 million were booked due to a tax reassessment decisions made by the Swedish tax authorities.

The result for the period was EUR -54.3 million (-43.7). Earnings per share for the period were EUR -0.84 (-0.68). Adjusted earnings per share were EUR -0.63 (-0.22). Equity per share was EUR 11.12 (11.71).

FINANCING AND CAPITAL EMPLOYED

Cash flow from operating activities came to EUR 69.9 million (82.1) in the fourth quarter and EUR 102.3 million (82.9) in January–December. Due to IFRS 16, lease payments of EUR 73.9 million in January–December are transferred from cash flow from operating activities to cash flow from financial activities.

Total inventories were EUR 145.8 million (141.9) at the end of December, down in Stockmann and up on the previous year in Lindex.

Interest-bearing liabilities, excluding IFRS 16 lease liabilities, at the end of December were EUR 412.3 million (587.8), of which long-term debt amounted to EUR 364.5 million (359.9). The debt declined mainly due to the sale of the Nevsky Centre property. The Group has undrawn, long-term committed credit facilities of EUR 128.1 million. The credit facilities include financial covenants related to equity ratio and leverage.

In addition, the Group has undrawn uncommitted overdraft facilities amounting to 2.9 million and an uncommitted Commercial Paper programme of EUR 600.0 million of which EUR 45.4 million is in use. Stockmann also has a EUR 105.8 million hybrid bond which is treated as equity. At the end of December, the interest-bearing liabilities including IFRS 16 lease liabilities amounted to EUR 942.1 million. EUR 235.1 million of lease liabilities are related to Stockmann and EUR 294.7 million to Lindex (1.1.2019: Stockmann 243.5, Lindex 309.1).

Stockmann plc issued hybrid bond capital securities of EUR 21 million by a further issue pursuant to the terms and conditions of its outstanding EUR 85 million hybrid bond. These were offered to certain largest shareholders of Stockmann and were subscribed by Föreningen Konstsamfundet r.f., Kari Niemistö and Svenska litteratursällskapet i Finland rf. (Stock Exchange Release 31 October 2019)

The hybrid bond was issued in January 2016 with an early redemption option at the earliest on 31 January 2020. On 26 November 2019, Stockmann announced that the company had succelssfully completed its consent solicitation from the hybrid bond holders. (Stock Exchange Releases 10 December 2015, 21 October 2019 and 26 November 2019).

Stockmann renegotiated the terms for its long-term credit facilities with banks during the last quarter. The maturity was extended to October 2021.

Cash and cash equivalents totalled EUR 24.9 million (43.4) at the end of December. Assets on the balance sheet were EUR 2 103.2 million (1 827.9) at the end of December, up by EUR 505.5 million due to IFRS 16.

The equity ratio at the end of December was 38.1% (46.2), and net gearing was 112.4% (64.5). IFRS 16 has a significant impact on the equity ratio and net gearing. Excluding IFRS 16, the equity ratio would have been 51.2% and net gearing 48.4%.

The Group's capital employed at the end of December was EUR 1 743.0 million, or EUR 1 213.2 million excluding IFRS 16 (1 431.5).

DISTRIBUTION OF FUNDS

Decisions by the 2019 Annual General Meeting were published in a stock exchange release on 21 March 2019. In accordance with a resolution of the meeting, no dividend was paid for the financial year 2018.

The Board of Directors will propose to the Annual General Meeting, to be held on 18 March 2020, that no distribution of funds is to be made for the 2019 financial year.

CAPITAL EXPENDITURE

Capital expenditure totalled EUR 9.6 million (8.2) in the fourth quarter and EUR 33.8 million (29.3) in January–December. Most of the capital expenditure was used for both Lindex's and Stockmann's digitalisation, the renovation of Stockmann Delicatessen in Tallinn, and Lindex's store refurbishments.

REVENUE AND EARNINGS BY DIVISION

As of 1 July 2019, the Stockmann Group introduced a simplified organisational structure, where the Stockmann Retail and Real Estate divisions as well as the shared functions were combined into a new Stockmann division. Stockmann Group's reporting segments are Lindex and Stockmann. The segments are reported excluding IFRS 16, as the management follow-up and analyses were based on the reporting without the IFRS 16 changes in 2019.

The comparison data for the Lindex segment is unchanged. The comparison data for the Stockmann segment includes previously separately reported figures for the Stockmann Retail and Real Estate segments, and Group functions that are not included in unallocated items or the Lindex segment. In the new segment reporting structure unallocated items include Corporate Management, Group Finance Management, Group Treasury and Internal Audit.

LINDEX

Lindex	10–12/2019	10–12/2018	1–12/2019	1–12/2018
Revenue, EUR mill.	**159.7**	164.3	**575.8**	589.9
Gross margin, %	**64.4**	62.1	**62.7**	61.7
Operating result, EUR mill.	**14.4**	14.8	**32.1**	28.9
Adjusted operating result, EUR mill.	**16.7**	14.8	**34.8**	30.4
Capital expenditure, EUR mill.	**6.3**	5.5	**20.3**	20.1

October–December 2019

Lindex's revenue for the quarter was down by 2.8%, to EUR 159.7 million (164.3), or down by 0.5% in comparable currency rates. Sales increased in all main markets except in Finland, the Baltic countries and Czech Republic. Growth in the online store was 16.0%.

The gross margin for the quarter was 64.4% (62.1), and it was up due to lower clearance markdowns and higher start margins. Gross profit improved in all markets during the quarter.

Operating costs were up by 1.3 EUR million, and amounted to EUR 83.6 million (82.4). The costs including adjustments of EUR 2.3 million (0.0) declined mainly due to currency effects.

The operating result for the quarter declined EUR 0.4. million due to adjustments of EUR 2.3 million and was EUR 14.4 million (14.8). Adjusted operating result was EUR 16.7 million (14.8).

January–December 2019

Lindex's revenue for the period was down by 2.4%, to EUR 575.8 million (589.9) or down by 0.1% in comparable currency rates. Growth in the online store was 24.3%.

The gross margin for the period was 62.7% (61.7). Also gross profit improved in all markets during the period.

The operating result for the period improved and was EUR 32.1 million (28.9, or adjusted operating result 30.4). Operating costs were down by EUR 5.7 million, and amounted to EUR 309.5 million (315.1). The costs declined mainly due to currency effects.

Store network

Lindex opened 5 stores and closed 1 store during the fourth quarter. In 2019, in total 14 stores were opened and 24 stores were closed. The total number of stores was 464 at the year-end, compared to 474 a year earlier. Lindex opened its first store in Denmark at the beginning of October. The franchise store is located in Denmark's biggest shopping mall Field's in Copenhagen, and the store opening was a record-breaking success with 13 700 visitors during the opening weekend.

Lindex store network	Total 31.12.2018	Total 30.9.2019	Closed stores Q3 2019	New stores Q3 2019	Total 31.12.2019
Finland	61	61	0	2	**63**
Sweden	204	199	0	0	**199**
Norway	96	92	0	0	**92**
Estonia	9	9	0	0	**9**
Latvia	10	10	0	0	**10**
Lithuania	9	9	0	0	**9**
Czech Republic	28	27	0	0	**27**
Slovakia	12	13	0	0	**13**
Poland	2	0	0	0	**0**
UK	2	2	0	0	**2**
Denmark*	0	0	0	1	**1**
Iceland*	7	6	0	0	**6**
Bosnia and Herzegovina*	7	9	0	0	**9**
Serbia*	5	6	0	0	**6**
Kosovo*	1	1	0	1	**2**
Albania*	1	1	0	0	**1**
Saudi Arabia*	17	12	1	0	**11**
Qatar*	2	2	0	0	**2**
Tunisia*	1	1	0	1	**2**
Total	**474**	**460**	**1**	**5**	**464**
Own stores	433	422	0	2	**424**
Franchising stores (*)	41	38	1	3	**40**

STOCKMANN

Stockmann	10–12/2019	10–12/2018	1–12/2019	1–12/2018
Revenue, EUR mill.	**126.5**	140.2	**386.8**	429.0
Gross margin, %	**46.8**	47.9	**47.1**	50.5
Operating result, EUR mill.	**8.2**	7.8	**–20.4**	–5.4
Adjusted operating result, EUR mill.	**6.8**	9.1	**–17.8**	1.5
Capital expenditure, EUR mill.	**3.3**	2.7	**13.5**	9.2

October–December 2019

The Stockmann division's revenue for the quarter was EUR 126.5 million (140.2). Revenue includes merchandise turnover in department and online stores, rental income from tenants and subtenants, and other service income. Revenue was down by 9.8%. The revenue declined due to the divestment of the Book House property in May 2018 and the Nevsky Centre property in St Petersburg in January 2019 which affected the rental income from tenants.

Revenue in Finland was EUR 98.7 million (105.1). Revenue was down by 6.1% compared with the previous year. Growth in the online store was on a par with the previous year. Revenue from the Baltic department stores was down by 6.3%, to EUR 27.8 million (35.1 including Nevsky Centre) partly due to property divestments and the renovation of the Delicatessen store in Tallinn. Stockmann's Crazy Days campaign took place in Finland and the Baltic countries at the beginning of October. The Crazy Days online store was launched for the first time in Estonia and Latvia .The total campaign sales were on a par with the previous year. The strongest sales growth was achieved in the online store, where sales were up by 10.7%.

The gross margin for the quarter was 46.8% (47.9 or 45.8 excl. real estate business). The gross margin declined mainly due to the divestment of the Book House and Nevsky Centre properties, which affected the rental income from tenants.

Operating costs were down by EUR 9.0 million, and were EUR 41.4 million (50.3), mainly due to decline in personnel and support function costs.

The operating result for the quarter was EUR 8.2 million (7.8). Adjusted operating result was EUR 6.8 million (9.1, or 4.7 excluding Nevsky Centre).

January–December 2019

The Stockmann division's revenue for the period was EUR 386.8 million (429.0). Revenue was down by 9.8 %, partly due to the sale of the Book House and Nevsky Centre properties, which affected the rental income from tenants.

Revenue in Finland was EUR 300.2 million (316.0). Revenue was down by 5.0% compared with the previous year. Revenue the Baltic department stores was down 6.4%, to EUR 85.2 million (91.0). Growth in the online store was 10.8%.

The gross margin for the period was 47.1% (50.5 or 47.8 excl. real restate business).

Operating costs were EUR 166.2 million (185.7) down by EUR 19.5 million, or down by EUR 8.4 million including adjustments of EUR 2.6 million (13.8) related to restructuring measures and sale of the properties.

The operating result for the period was EUR -20.4 million (-5.4, including value adjustments, gains and losses on sale of properties). Adjusted operating result was EUR -17.8 million (1.5, or -16.5 excluding Nevsky Centre).

Properties

At the end of 2019, the revalued amount of the properties was EUR 667.7 million (681.0). The weighted average market yield requirement used in the fair value calculation increased to 5.1% (4.8), mainly due to increased competition corresponding to new retail space in Helsinki.

The department store properties have a gross leasable area (GLA) of 87 000 m2, of which Stockmann was using 73% at the end of December 2019 and the rest was used by external partners. The occupancy rate of the properties remained at a high level, at 97.7% (99.4).

The Nevsky Centre property in St Petersburg was sold to PPF Real Estate in January 2019 with a transaction price of EUR 171.0 million.

Property	Gross leasable area. m2 31.12.2019	Occupancy rate. % 31.12.2019	Usage by Stockmann, % 31.12.2019
Helsinki flagship building	50 724	98.5	66
Tallinn department store building	21 527	94.2	82
Riga department store building	15 119	100.0	86
Total	**87 370**	**97.7**	**73**

CHANGES IN MANAGEMENT

CEO Lauri Veijalainen resigned from Stockmann and left the company on 31 March 2019. Lauri Ratia, Chairman of the Board of Directors, was acting Executive Chairman until 18 August 2019. Stockmann plc's Board of Directors appointed Jari Latvanen (born 1964), MBA, as Stockmann's new Chief Executive Officer as of 19 August 2019.

Stockmann Group's management team member Tove Westermarck was appointed Stockmann Retail's Chief Operating Officer as of 22 March 2019.

Pekka Vähähyyppä (born 1960), M.Sc (Econ.), EMBA, was appointed as Chief Financial Officer and as a member of the Stockmann Group's Management Team as of 19 August 2019. Kai Laitinen, CFO, left Stockmann in September in order to assume a new position outside the company.

SHARES AND SHARE CAPITAL

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

Stockmann had 30 530 868 Series A shares and 41 517 815 Series B shares, or a total of 72 048 683 shares at the end of 2019. The number of votes conferred by the shares was 346 826 495.

The share capital remained at EUR 144.1 million. The market capitalisation was EUR 154.5 million (140.8) at the end of December.

The price of a Series A share was EUR 2.26 at the end of December, compared with EUR 2.00 at the end of 2018, while the price of a Series B share was EUR 2.06, compared with EUR 1.92 at the end of 2018.

A total of 1.3 million (3.9) Series A shares and 13.1 million (14.0) Series B shares were traded on Nasdaq Helsinki during the period. This corresponds to 4.2% (12.7) of the average number of Series A shares and 31.6% (33.6) of the average number of Series B shares.

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

At the end of December, Stockmann had 43 394 shareholders, compared with 44 396 a year earlier.

Stockmann was notified on 3 December 2019 that the holdings of HC Holding Oy Ab's (business identity code 2279939-4) holding in Stockmann plc's shares has decreased below 10 per cent in connection with a sale of shares on 3 December 2019.

DISCLOSURE OF NON-FINANCIAL INFORMATION

Stockmann is a Finnish listed company engaged in the retail trade that offers a comprehensive selection of high quality and responsible products of fashion, beauty and home products in department stores, fashion stores, and online. In its business operations, Stockmann is committed to responsible operations. The daily operations are guided by the Group's strategy and values, Stockmann's Code of Conduct and the corporate responsibility strategies of its business units.

According to its CSR promise, Stockmann inspires and supports its customers in making responsible choices and works for a more sustainable future. The Group's ongoing CSR development work is guided by Stockmann's CSR strategy as well Lindex's sustainability promise, with its focus areas, targets and indicators all integrated as part of business, and whose development is regularly monitored. The business units' respective focus areas have been identified through materiality analysis and stakeholder dialogue.

Stockmann communicates openly about its responsibility work and reports annually on its CSR focus areas, objectives and developments in the Group's CSR Review, prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option. The CSR Review will be published in the week starting 24 February 2020 at year2019.stockmanngroup.com

Key commitments, codes of conduct and policies
Stockmann operations comply with international and national laws and regulations valid at any time in the countries in which it operates. The Group's operations are also guided by international treaties and recommendations, such as the UN's Universal Declaration of Human Rights and Convention on the Rights of the Child, the ILO's Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational Enterprises, and the UN Guiding Principles on Business and Human Rights. In addition, Stockmann is committed to the UN's Global Compact initiative, and in accordance with this promotes human rights, labour rights, environmental protection and anti-corruption measures.

The Stockmann Group's Code of Conduct (CoC) and other Group policies define ways of working for all personnel. The Group's Code of Conduct and related clarifications have been included in the Group's Collaboration Agreements, and Stockmann requires all its suppliers and partners to commit to and comply with the Code of Conduct, or show the demonstration of their commitment to other equivalent policies. As part of responsibility management, the effort is put into communicating the principles to both internal and external stakeholders. The Code of Conduct covers compliance with legislation and ethical operations, free competition and consumer rights, employees and working conditions, environment, and corruption and conflicts of interest.

At the end of 2019, 70% (59) of Stockmann's personnel in Finland and 71% of personnel in Latvia had completed the Code of Conduct training. Of the members in the Stockmann support function and department store management teams, 75% (94) had completed the training. The long-term target is for 100% of the Group's personnel to have completed the training.

Respecting human rights
Stockmann respects and promotes all human rights in accordance with its Code of Conduct and human rights policy. Stockmann is committed to ensuring that fundamental rights are respected and that people are treated with dignity and respect. We carry out further human rights due diligence as required in the UNs Guiding Principles on Business and Human Rights, in order to identify, prevent and mitigate adverse human rights impacts resulting from or caused by our business activities.

Stockmann has identified the most significant human rights risks of its business to be found in the own brand product supply chains, related to working conditions. Around 90% (90) of Stockmann's own brand garments are produced in areas classified as risk countries by amfori BSCI, such as China and Bangladesh. Stockmann Group has been a member of amfori BSCI since 2005 and with this committed to improving the working conditions in the production facilities. In addition, since 2013, Stockmann is committed to improving fire and building safety in Bangladesh through the Accord on Fire and Building Safety.

Product safety and responsible supply chain
Stockmann offers a wide selection of safe and lasting quality products and focuses on the responsibility, transparency and traceability of its supply chains.

In the Stockmann department stores, the major part of the merchandise is made up of international brand products, complemented with a wide selection of own brand products in the fashion and home areas, which are designed by Stockmann's own designers. At Lindex, the majority of the selection is own brand products.

The Stockmann Group is responsible for the safety of the products it sells, ensuring that they do not pose a risk to customers' health or property. Product safety is insured in collaboration with suppliers. Product testing and quality checks are made to ensure that the products fulfil all quality and safety requirements set by legislation and the possible stricter requirements set by the company. During the reporting year, Lindex had two public product recalls, one concerning a nail polish remover non-compliant with Norwegian chemical legislation, and another concerning a bracelet, non-compliant with the Group's safety requirements.

As part of responsible supply chain management, Stockmann's own brand suppliers and producers are required to comply with Stockmann's supplier Code of Conduct, which is based on the amfori BSCI Code of Conduct. All suppliers producing Stockmann's own brand products have signed the Stockmann Supplier Code of Conduct, the amfori BSCI Code of Conduct or other similar commitment. The Group has purchase offices with local personnel in six main production locations to oversee production quality and compliance with the Code of Conduct, and producers in risk countries are also subject to third party sustainability audits. The long term target is that 100% of own brand producers in risk countries to have undergone an amfori BSCI audit or similar audit.

For transparency and traceability, both Stockmann and Lindex publish comprehensive lists of own brands' suppliers and factories on the companies' websites.

Anti-corruption and anti-bribery

Stockmann's policies relating to anti-corruption and anti-competitive behaviour are included in the Stockmann Code of Conduct and further specified in the Stockmann anti-corruption policy. Stockmann takes a zero-tolerance approach to all forms of bribery and corruption. Stockmann employees and management are expected, at all times, to perform their duties honestly and with integrity, in the best interest of the company, avoiding any conflicts of interest and in accordance with local laws.

Stockmann has a whistleblowing channel giving the opportunity to report, either nominally or anonymously, any violation of Stockmann's Code of Conduct or other Group Guidelines. In 2019, no cases of corruption or bribery related to Stockmann's business were reported through the channel. During the reporting year, Stockmann was not informed of any corruption-related lawsuits against the Group. There were no legal cases, legal actions or decisions for anti-competitive behaviour, anti-trust, or monopoly practices in 2019.

Personnel

Motivated and engaged retail experts are the backbone of our business. Stockmann treats its employees fairly and equally in accordance with its HR policy and equality plan. The Stockmann Group's Human Resources (HR) policies are based on the company's values, strategy and Code of Conduct. Ensuring a safe working environment, promoting equality and diversity, and supporting the professional growth and well-being of our employees is an essential part of responsible HR practices. The implementation of good HR policies is monitored through personnel surveys, performance appraisal discussions and other feedback channels. Cooperation also takes place in local personnel committees and the Group Employee Council.

The Group's average number of personnel in continuing operations was 7 002 (7 241) in 2019. In terms of full-time equivalents, the average number of employees was 4 891 (5 299). At the end of the year, the Group had 6 914 employees (7 129), of whom 1 894 (2 142) were working in Finland. The number of employees working outside Finland was 5 020 (4 984), which represented 72.6% (69.9) of the total. Among the Stockmann Group's employees, women represented 91% (91) and men 9% (9).

The Group's wages and salaries amounted to EUR 163.3 million in 2019, compared with EUR 172.3 million in the previous year. The total employee benefits expenses were EUR 211.1 million (222.0), which is equivalent to 22.0% (21.8) of revenue.

The year was a demanding one for our personnel, as the company introduced a new operating structure and the codetermination negotiations in the summer concerned about 1 600 people in Finland, bringing changes to terms of employment and resulted in ending approximately 150 positions, most of them through lay-offs.

In 2019, Stockmann revised its personnel survey model and introduced the Stockmannstaff barometer, which enables the effective utilization of the results of the personnel experience measurement and process development, as well as deeper and more active employee consultation.

Customers

Stockmann builds ongoing dialogue to maintain and raise customer satisfaction. Efforts to improve customer dialogue include customer surveys, net promoter score (NPS) and brand tracking. Stockmann engages actively in social media and other feedback channels, to better understand customer needs and expectations.

In 2019, the NPS at department stores in Finland was 51 (51), while the long-term target level is 70. To inspire and support its customers in making responsible choices, Stockmann actively shares information about its CSR work and sustainable choices in its selection and engages in CSR and charity projects on a regular basis. As part of measuring customer experience, Stockmann measures responsibility in customer experience. In 2019, department stores in Finland achieved a score of 3.3 for responsibility, and Latvia 4.2, while the target is set at 4, on a scale from 1 to 5.

Stockmann complies with valid competition and privacy legislation in its operations and promotes free competition in its sector. In 2019, there was one limited incident concerning customers' personal data in Estonia. Stockmann filed a notification to the Estonian data protection authority regarding the incident, which decided that no official procedure was required. At Lindex, there where three limited incidents concerning customers' personal data. For one of the incidents Lindex filed a notification to the regulatory authority, which decided that no official procedure was required. Stockmann's annual target is zero incidents of breaches of customer privacy.

Environment

Stockmann's objective is to reduce and prevent the environmental impact of its business operations by cutting emissions, increasing the efficiency of energy and water consumption and carrying out waste sorting and recycling. To ensure continuous improvement, Stockmann monitors compliance with the Group's environmental system and progress towards set environmental goals and objectives.

All Stockmann's operations in Finland are certified with the ISO 14001 environmental management system. The same operating methods have been adopted in the department stores in the Baltic countries. The Stockmann Group's waste recycling rate was 73% (72.7). The Group's GHG emissions in 2019 were 39 700 tCO2e (45 130). The highest share of emissions, around 70%, came from the generation of purchased energy, especially electricity. Stockmann's goal has been to improve the energy efficiency of its department store operations by 4% from 2016 to 2020. The target was achieved and energy efficiency was increased by over 10%. A further goal has been set to improve energy efficiency in Finland by 7.5% from 2018 to 2025. At Lindex, approximately 60% of the electricity is from renewable sources. Stockmann reports on its CO2 emissions annually in the Group's CSR Review and in the international Climate Change Disclosure (CDP) survey. Water consumption in Stockmann's own operations is minimal and these operations take place in areas where there is currently no scarcity of water.

Stockmann aims to reduce the environmental impact of its products and to increase the use of more sustainable materials in its own brand garments. Lindex's target has been that by the end of 2020, 80% of Lindex's garments will be made from more sustainable materials, with more sustainable processes and more sustainable production facilities. In 2019, 65% (55) of the Lindex assortment was made from more sustainable materials and approximately 98% (96) of all Lindex cotton was more sustainable, such as organic and Better Cotton. 46% (30) of Stockmann's own brand garments in 2019 were made of more sustainable materials, and 73% (65) of own brand jersey garments were made of more sustainable cotton. Stockmann aims that by 2021 50% of its own brand garments are made with more sustainable materials and the share of more sustainable cotton in own brand jersey garments is 80%. During the reporting year, Stockmann joined the Better Cotton Initiative and promotes more sustainable cotton production as part of the initiative.

CSR risks and risk management
Stockmann Group's most significant CSR-related risks are identified to be found in the supply chains of the product selections. In the Stockmann department stores, the major part of the merchandise is made up of international and domestic brand products. Suppliers of these products are expected to follow the Stockmann Code of Conduct or demonstrate a similar commitment. In addition, Stockmann department stores carry a wide selection of own brand products and at Lindex, the majority of the selection is own brand products. A significant percentage of the own brand products are produced in areas classified as risk countries by amfori BSCI. In its own brand supply chains, the Group is exposed to risks related to the traceability and transparency, the realization of human and labour rights, and the environmental impacts of production and raw materials.

These risks are managed through responsible purchasing management practices, established policies and risk management methods, and are monitored in accordance with the CSR strategy and good corporate governance. The Group's own brand suppliers and producers are required to comply with Stockmann's supplier Code of Conduct, which is based on the amfori BSCI Code of Conduct that sets out 11 core labour rights, or another similar commitment. The Group has purchase offices with local personnel in six main production locations to oversee production quality and compliance with the Code of Conduct, and producers in risk countries are also subject to third party sustainability audits.

Other identified CSR-related risks to the Group's business operations include risks related to personnel competence and wellbeing, product safety and environmental awareness. A failure to respond to risks within these areas could have an impact on the Group's brand image and reliability. Open dialogue and co-operation with the Group's stakeholders and transparent CSR communication are an essential part of Stockmann's risk management measures.

RISK FACTORS

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

The general economic situation affects consumers' purchasing behaviour and purchasing power in all of the Group's market areas. Consumers' purchasing behaviour is also influenced by digitalisation, increasing competition and changing purchasing trends. Rapid and unexpected movements in markets may influence the behaviour of both the financial markets and consumers. Uncertainties related to changes in purchasing behaviour are considered to be the principal risk arising from the operating environment that could affect Stockmann during 2020.

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

Stockmann's business is affected by seasonal fluctuations within a year. The first quarter is typically low in revenue and the fourth quarter typically higher in revenue. Fashion accounts for approximately 80% of the Group's revenue. An inherent feature of the fashion trade is the short lifecycle of products and their dependence on trends, the seasonality of sales and the susceptibility to abnormal changes in weather conditions. These factors may have an impact on the Group's revenue and gross margin. In the retail sector, the products' value chain from raw material to customers often contains many stages and involves risks related to the fulfilment of human rights, good working conditions, and environmental and other requirements set out in Stockmann's Code of Conduct and other policies. Responsible management of the supply chain and sustainable use of natural resources are important for the Group's brands in order to retain customer confidence in Stockmann.

Risks related to production may arise from unusual situations such as the outbreak of an epidemic, strikes, political uncertainties or conflicts which may stop or cause delays in production or supply of merchandise, which in turn may affect business negatively.

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

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

OUTLOOK FOR 2020

We expect that the uncertainties in the global economy will remain during 2020. In 2020, the GDP in Stockmann's main markets is expected to show moderate growth. We expect the retail market to remain challenging due changes in consumer behavior and increasing competition, and moderate consumer confidence indicator.

The rejuvenation programme in Stockmann will continue throughout 2020. Lindex will continue to drive efficiencies and explore new growth opportunities. Stockmann expects the Group's operating profit to improve clearly in 2020 (2019: EUR 13.3 million).

Capital investment projects will be reviewed and decided throughout the year, the total planned capital expenditure amounts to approximately EUR 45 million.

CORPORATE GOVERNANCE STATEMENT

Stockmann will publish a separate Corporate Governance Statement for 2019 in line with the recommendation by the Finnish Corporate Governance Code. The statement will be published during the week starting on 24 February 2020 (week 9).

Helsinki, Finland, 12 February 2020

STOCKMANN plc
Board of Directors

CONDENSED FINANCIAL STATEMENTS

This Financial Statements Bulletin has been prepared in compliance with IAS 34. The figures are unaudited.

CONDENSED CONSOLIDATED INCOME STATEMENT

EUR mill.	1.1.–31.12.2019	1.1.–31.12.2018
Continuing operations		
REVENUE	**960.4**	1 018.8
Other operating income	**0.0**	7.0
Fair value changes on investment properties		−0.3
Materials and consumables	**−419.5**	−438.7
Wages, salaries and employee benefit expenses	**−211.1**	−222.0
Depreciation, amortisation and impairment losses	**−139.6**	−80.9
Other operating expenses	**−176.9**	−288.9
Total expenses	**−947.1**	−1 030.5
OPERATING PROFIT/LOSS	**13.3**	−5.0
Financial income	**1.1**	0.6
Financial expenses	**−53.7**	−35.3
Total financial income and expenses	**−52.7**	−34.6
PROFIT/LOSS BEFORE TAX	**−39.3**	−39.6
Income taxes	**−14.9**	−4.2
PROFIT/LOSS FROM CONTINUING OPERATIONS	**−54.3**	−43.7
Profit/loss from discontinued operations		−1.4
NET PROFIT/LOSS FOR THE PERIOD	**−54.3**	−45.2
Profit/loss for the period attributable to:		
Equity holders of the parent company	**−54.3**	−45.2
Earnings per share, EUR:		
From continuing operations (undiluted and diluted)	**−0.84**	−0.68
From discontinued operations (undiluted and diluted)		−0.02
From the period result (undiluted and diluted)	**−0.84**	−0.70

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR mill.	1.1.–31.12.2019	1.1.–31.12.2018
PROFIT/LOSS FOR THE PERIOD	**−54.3**	−45.2
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Changes in revaluation surplus (IAS 16), before tax	**5.1**	8.7
Changes in revaluation surplus (IAS 16), tax	**−1.0**	−1.7
Changes in revaluation surplus (IAS 16), net of tax	**4.1**	6.9
Items that may be subsequently reclassified to profit and loss		
Exchange differences on translating foreign operations, before tax	**−5.8**	2.8
Exchange differences on translating foreign operations, net of tax	**−5.8**	2.8
Cash flow hedges, before tax	**−1.7**	0.6
Cash flow hedges, tax		−0.1
Cash flow hedges, net of tax	**−1.7**	0.5
Other comprehensive income for the period, net of tax	**−3.5**	10.3
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**−57.7**	−34.9
Total comprehensive income attributable to:		
Equity holders of the parent company, continuing operations	**−57.7**	−33.5
Equity holders of the parent company, discontinued operations		−1.4

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR mill.	**31.12.2019**	31.12.2018
ASSETS		
NON-CURRENT ASSETS		
Intangible assets		
Goodwill	**506.6**	516.1
Trademark	**87.0**	88.7
Intangible rights	**39.0**	39.6
Other intangible assets	**1.8**	2.3
Advance payments and construction in progress	**2.6**	0.9
Intangible assets, total	**637.0**	647.5
Property, plant and equipment		
Land and water	**100.6**	102.5
Buildings and constructions	**567.1**	578.5
Machinery and equipment	**55.4**	64.1
Modification and renovation expenses for leased premises	**4.9**	5.1
Right-of-use assets	**485.7**	
Advance payments and construction in progress	**5.6**	0.8
Property, plant and equipment, total	**1 219.3**	751.1
Investment properties	**0.5**	0.5
Non-current receivables	**0.4**	0.6
Non-current lease receivables	**15.7**	
Other investments	**0.3**	0.3
Deferred tax assets	**16.3**	14.7
NON-CURRENT ASSETS, TOTAL	**1 889.4**	1 414.7
CURRENT ASSETS		
Inventories	**145.8**	141.9
Current receivables		
Interest-bearing receivables	**0.1**	0.8
Lease receivables	**1.3**	
Income tax receivables	**4.6**	7.8
Non-interest-bearing receivables	**37.1**	43.7
Current receivables, total	**43.0**	52.2
Cash and cash equivalents	**24.9**	43.4
CURRENT ASSETS, TOTAL	**213.7**	237.6
ASSETS CLASSIFIED AS HELD FOR SALE		175.7
ASSETS, TOTAL	**2 103.2**	1 827.9

EUR mill.	**31.12.2019**	31.12.2018
EQUITY AND LIABILITIES		
EQUITY		
Share capital	**144.1**	144.1
Share premium fund	**186.1**	186.1
Revaluation surplus	**329.0**	358.2
Invested unrestricted equity fund	**250.4**	250.4
Other funds	**42.5**	44.2
Translation reserve	**−17.5**	−11.6
Retained earnings	**−239.6**	−212.1
Hybrid bond	**105.8**	84.3
Equity attributable to equity holders of the parent company	**800.9**	843.7
EQUITY, TOTAL	**800.9**	843.7
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**125.4**	128.3
Non-current interest-bearing financing liabilities	**364.5**	359.9
Non-current lease liabilities	**438.6**	
Non-current non-interest-bearing liabilities and provisions	**1.6**	17.5
NON-CURRENT LIABILITIES, TOTAL	**930.0**	505.7
CURRENT LIABILITIES		
Current interest-bearing financing liabilities	**47.8**	227.9
Current lease liabilities	**91.2**	
Current non-interest-bearing liabilities		
Trade payables and other current liabilities	**194.6**	190.1
Income tax liabilities	**37.4**	20.9
Current provisions	**1.1**	5.0
Current non-interest-bearing liabilities, total	**233.2**	215.9
CURRENT LIABILITIES, TOTAL	**372.2**	443.8
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE		34.7
LIABILITIES, TOTAL	**1 302.3**	984.3
EQUITY AND LIABILITIES, TOTAL	**2 103.2**	1 827.9

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR mill.	**1.1.–31.12.2019**	1.1.–31.12.2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/loss for the period	**−54.3**	−45.2
Adjustments for:		
Depreciation, amortisation and impairment losses	**139.6**	80.9
Gains (-) and losses (+) of disposals of fixed assets and other non-current assets	**0.7**	5.6
Interest and other financial expenses	**53.7**	35.3
Interest income	**−1.1**	−0.6
Income taxes	**14.9**	4.2
Other adjustments	**−1.2**	−3.0
Working capital changes:		
Increase (-) /decrease (+) in inventories	**−5.3**	16.3
Increase (-) / decrease (+) in trade and other current receivables	**8.0**	11.9
Increase (+) / decrease (-) in current liabilities	**−0.2**	10.5
Interest expenses paid	**−52.1**	−24.4
Interest received from operating activities	**1.1**	0.6
Other financing items from operating activities	**−1.4**	
Income taxes paid from operating activities	**−0.3**	−9.2
Net cash from operating activities	**102.3**	82.9
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible and intangible assets	**−33.9**	−28.1
Proceeds from sale of tangible and intangible assets	**139.7**	122.5
Exchange rate gain on the hedge of a net investment and internal loan*)	**11.1**	31.6
Net cash used in investing activities	**116.8**	126.0
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of hybrid bond	**21.5**	
Proceeds from current liabilities	**45.4**	79.9
Repayment of current liabilities	**−226.9**	−249.1
Proceeds from non-current liabilities	**166.7**	215.0
Repayment of non-current liabilities	**−165.1**	−213.8
Payment of lease liabilities	**−73.9**	
Interest on hybrid bond	**−6.6**	−6.6
Net cash used in financing activities	**−238.8**	−174.6
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**−19.8**	34.3
Cash and cash equivalents at the beginning of the period	**43.4**	21.0
Cheque account with overdraft facility	**−0.4**	−12.2
Cash and cash equivalents at the beginning of the period	**43.0**	8.8
Net increase/decrease in cash and cash equivalents	**−19.8**	34.3
Effects of exchange rate fluctuations on cash held	**−0.6**	−0.1
Cash and cash equivalents at the end of the period	**24.9**	43.4
Cheque account with overdraft facility	**−2.3**	−0.4
Cash and cash equivalents at the end of the period	**22.7**	43.0

*Realised foreign exchange rate gain on the hedge of a net investment in a foreign operation and internal loan

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR mill.	Share capital	Share premum fund	Revaluation surplus	Hedging reserve	Reserve for un-restricted equity	Other reserves	Translation differences	Retained earnings	Total	Hybrid bond	**Total**
EQUITY 1.1.2018	144.1	186.1	418.6	−0.1	250.4	43.8	−14.5	−227.6	800.8	84.3	**885.1**
Profit/loss for the period								−45.2	−45.2		**−45.2**
Changes in revaluation surplus (IAS 16)			6.9						6.9		**6.9**
Exchange differences on translating foreign operations							2.8		2.8		**2.8**
Cash flow hedges				0.5					0.5		**0.5**
Total comprehensive income for the period, net of tax			6.9	0.5			2.8	−45.2	−34.9		**−34.9**
Disposal of revalued assets			−58.4					58.4			
Interest paid on hybrid bond								−6.6	−6.6		**−6.6**
Other changes			−8.9					8.9			
Other changes in equity total			−67.3					60.7	−6.6		**−6.6**
EQUITY 31.12.2018	144.1	186.1	358.2	0.4	250.4	43.8	−11.6	−212.1	759.4	84.3	**843.7**

EUR mill.	Share capital	Share premum fund	Revaluation surplus	Hedging reserve	Reserve for un-restricted equity	Other reserves	Translation differences	Retained earnings	Total	Hybrid bond	**Total**
EQUITY 1.1.2019	144.1	186.1	358.2	0.4	250.4	43.8	−11.6	−212.1	759.4	84.3	**843.7**
Profit/loss for the period								−54.3	−54.3		**−54.3**
Changes in revaluation surplus (IAS 16)			4.1						4.1		**4.1**
Exchange differences on translating foreign operations							−5.8		−5.8		**−5.8**
Cash flow hedges				−1.7					−1.7		**−1.7**
Total comprehensive income for the period, net of tax			4.1	−1.7			−5.8	−54.3	−57.7		**−57.7**
Proceeds from hybrid bond										22.2	**22.2**
Hybrid bond expenses										−0.7	**−0.7**
Disposal of revalued assets			−24.7					24.7	0.0		**0.0**
Interest paid on hybrid bond								−6.6	−6.6		**−6.6**
Other changes			−8.6					8.6	0.0		**0.0**
Other changes in equity total			−33.3					26.7	−6.6	21.5	**15.0**
EQUITY 31.12.2019	144.1	186.1	329.0	−1.3	250.4	43.8	−17.5	−239.6	695.0	105.8	**800.9**

NOTES TO THE FINANCIAL STATEMENTS, CONDENSED

CHANGES IN ACCOUNTING PRINCIPLES

As from 1 January 2019, Stockmann Group has applied IFRS 16 Leases standard.

IFRS 16 replaces the standard IAS 17 and the related interpretations. The IFRS 16 requires lessees to recognise leases on the balance sheet as a lease liability and as a right-of-use asset. The Stockmann Group applies the standard using the modified retrospective approach, which means that the comparative figures for the year preceding adoption are not restated. Stockmann uses the exemption provided by IFRS 16 not to recognize in the balance sheet lease liability for leases which have a lease term of 12 months or less, and for leases in which the underlying asset is of low value. The lease term is determined as the non-cancellable period of a lease, together with periods covered by an option to extend the lease if it is reasonably certain to exercise that option. In the Stockmann Group Lindex uses a scoring system based on the operating profit to determine if prolongation of original rental period is included in the lease term. Operating profit is measured as a percentage compared to turnover and the higher the percentage the more likely the option to extend will be exercised. Lessor accounting remains substantially unchanged from the IAS 17.

IFRS 16 has a significant impact on the Group's assets and liabilities. The right-of-use asset and lease liability in the Group is composed of leased business premises, warehouses, cars, and other machinery and equipment. At the time the standard is initially applied, the lease liability is recognised at the present value of the minimum lease payments payable on the basis of leases, discounted using the incremental borrowing rate. The average weighted discounting rate at the time the standard initially applied was 5.2 per cent in the Stockmann Group. The amount of lease liability is included in the acquisition cost of right-of-use assets at the date of initial applicati¬on. Right-of-use assets transferred to the lessee under a sublease agreement and classified as a finance lease are derecognised and presented as a net investment in a sublease in the balance sheet. At the time the standard is initially applied on 1 January 2019 the lease liability in the Group was amount to EUR 552.7 million.

The reporting of leases in accordance with the IFRS 16 has also a significant impact on the consolidated income statement. The lessee doesn't recognise any lease payment as a cost, but instead depreciation or a possible impairment loss for the period is recognised through profit or loss. The interest on lease liability, which is calculated using the discount rate at the lease commencement date, is recognised as a financial expense; and variable lease payments that are not included in the lease liability is recognised as lease expen¬ses. Lease income from a sublease classified as a finance lease are not included in the profit or loss, instead the interest income from a net investment in a sublease is included in financial items. Stockmann Group's EBITDA increased EUR 100.0 million, the operating result increased EUR 16.1 million and financial expenses increased EUR 26.1 million whereas the net result for 2019 decreased EUR 7.9 million as a result of adopting of the standard.

The adoption of IFRS 16 has also impact on the presentation of net cash flows from operating and financing activities, as the lease payments, earlier affecting operating activities only, are under the new standard presented as the amortisation of lease liabilities in cash flows from financing activities and as interest expenses in operating activities. The Group's net cash flows from operating activi¬ties increased by EUR 73.9 million and the cash flows from financing activities decreased accordingly in 2019 as a result of adopting of the standard. The IFRS 16 has also a significant impact on certain key figures: with the standard the Group's equity ratio at 31 December 2018 would have been 35.4 per cent (reported 46.2%) and the net gearing 129.9 per cent (reported 64.5%).

The segment information presented by the Stockmann Group is based on the management's internal reporting, whereby the highest level of operational decision-making and the other Group's management examine the profitability of the operating segments. The im¬pact of the IFRS 16 is not allocated to the operating segments in the management's internal reporting and thus in the Group's segment reporting the IFRS 16 impact is presented as a reconciling item in a Group level.

The lease liability as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

EUR mill.	
Operating lease commitment at 31 December 2018 as disclosed in the Group's financial statements	583.6
Discounting using the incremental borrowing rate	−105.9
Extension options reasonably certain to be exercised	151.9
Other fixed costs	−29.4
Leases not yet commenced to which the Group is commited	−22.1
Short-term leases	−12.6
Variable lease payments	−6.1
Other differences	−6.7
Lease liability recognised at 1 January 2019	552.7

GROUP'S OPERATING SEGMENTS*

Revenue, EUR mill.	Q4 2019	Q4 2018	1.1.–31.12.2019	1.1.–31.12.2018
Lindex	**159.7**	164.3	**575.8**	589.9
Stockmann	**126.5**	140.2	**386.8**	429.0
IFRS 16 impact	**–0.5**		**–2.1**	
Group total	**285.7**	304.5	**960.4**	1 018.8

Reported operating profit/loss, EUR mill.	Q4 2019	Q4 2018	1.1.–31.12.2019	1.1.–31.12.2018
Lindex	**14.4**	14.8	**32.1**	28.9
Stockmann	**8.2**	7.8	**–20.4**	–5.4
Unallocated	**–4.3**	–0.4	**–14.4**	–3.5
Goodwill impairment		–25.0		–25.0
IFRS 16 impact	**4.2**		**16.1**	
Group total	**22.4**	–2.8	**13.3**	–5.0
Financial income excluding IFRS 16 interest income	**0.1**	0.3	**0.2**	0.6
Interest income from IFRS 16 contracts	**0.2**		**0.9**	
Financial expenses excluding IFRS 16 interest expenses	**–6.1**	–9.5	**–26.7**	–35.3
Interest expenses from IFRS 16 contracts	**–6.5**		**–27.0**	
Consolidated profit/loss before taxes	**10.1**	–12.0	**–39.3**	–39.6

Adjustments to Operating profit/loss, EUR mill.	Q4 2019	Q4 2018	1.1.–31.12.2019	1.1.–31.12.2018
Lindex	**–2.3**	0.0	**–2.7**	–1.5
Stockmann	**1.4**	–1.3	**–2.6**	–6.8
Unallocated	**–4.6**		**–10.3**	
Goodwill impairment		–25.0		–25.0
Group total	**–5.5**	–26.3	**–15.6**	–33.4

Adjusted Operating profit/loss, EUR mill.	Q4 2019	Q4 2018	1.1.–31.12.2019	1.1.–31.12.2018
Lindex	**16.7**	14.8	**34.8**	30.4
Stockmann	**6.8**	9.1	**–17.8**	1.5
Unallocated	**0.3**	–0.4	**–4.1**	–3.5
IFRS 16 impact	**4.2**		**16.1**	
Group total	**28.0**	23.5	**29.0**	28.4

Depreciation, amortisation and impairment losses, EUR mill.	Q4 2019	Q4 2018	1.1.–31.12.2019	1.1.–31.12.2018
Lindex	**4.8**	4.9	**19.2**	19.7
Stockmann	**9.7**	9.1	**36.5**	36.2
Goodwill impairment		25.0		25.0
IFRS 16 impact	**20.3**		**83.9**	
Group total	**34.8**	38.9	**139.6**	80.9

Capital expenditure, EUR mill.	Q4 2019	Q4 2018	1.1.–31.12.2019	1.1.–31.12.2018
Lindex	**6.3**	5.5	**20.3**	20.1
Stockmann	**3.3**	2.7	**13.5**	9.2
IFRS 16 additions	**8.6**		**58.4**	
Group total	**18.2**	8.2	**92.1**	29.3

Assets, EUR mill.	12/31/2019	12/31/2018		
Lindex	**788.5**	802.6		
Stockmann	**808.6**	849.1		
Unallocated	**0.6**	0.6		
Assets classified as held for sale		175.7		
IFRS 16 impact	**505.5**			
Group total	**2 103.2**	1 827.9		

IFRS 16 impact on revenue, EUR mill.	Q4 2019	Q4 2018	1.1.–31.12.2019	1.1.–31.12.2018
Stockmann	**–0.5**		**–2.1**	
Total	**–0.5**		**–2.1**	

IFRS 16 impact on operating profit/loss, EUR mill.	Q4 2019	Q4 2018	1.1.–31.12.2019	1.1.–31.12.2018
Lindex	**1.4**		**6.1**	
Stockmann	**2.7**		**9.9**	
Total	**4.2**		**16.1**	

IFRS 16 impact on depreciation, amortisation and impairment losses, EUR mill.	Q4 2019	Q4 2018	1.1.–31.12.2019	1.1.–31.12.2018
Lindex	**14.8**		**62.1**	
Stockmann	**5.5**		**21.8**	
Total	**20.3**		**83.9**	

IFRS 16 Lease liabilities, EUR mill.	31.12.2019	31.12.2018		
Lindex	**294.7**			
Stockmann	**235.1**			
Total	**529.8**			

* Segment information 2018 is adjusted for comparison purposes

INFORMATION ON MARKET AREAS

Revenue, EUR mill.	**Q4 2019**	Q4 2018	**1.1.–31.12.2019**	1.1.–31.12.2018
Finland	**117.2**	124.1	**369.1**	386.2
Sweden*) and Norway	**121.8**	126.6	**437.8**	449.1
Baltic countries, Russia and other countries	**47.2**	53.9	**155.7**	183.5
Market areas total	**286.2**	304.5	**962.6**	1 018.8
IFRS 16/subleases affecting rent income	**−0.5**		**−2.1**	
Group total	**285.7**	304.5	**960.4**	1 018.8
Finland %	**41,0%**	40,7%	**38,3%**	37,9%
International operations %	**59,0%**	59,3%	**61,7%**	62,1%

Operating profit/loss, EUR mill.	**Q4 2019**	Q4 2018	**1.1.–31.12.2019**	1.1.–31.12.2018
Finland	**1.9**	3.4	**−34.6**	−27.0
Sweden*) and Norway	**13.6**	10.0	**29.6**	26.1
Baltic countries, Russia and other countries	**2.7**	8.9	**2.2**	20.9
Market areas total	**18.3**	22.2	**−2.8**	20.0
Goodwill impairment		−25.0		−25.0
IFRS 16 impact	**4.2**		**16.1**	
Group total	**22.4**	−2.8	**13.3**	−5.0

Non-current assets, EUR mill.	**31.12.2019**	31.12.2018		
Finland	**621.7**	642.9		
Sweden and Norway	**634.8**	642.5		
Baltic countries, Russia and other countries	**118.1**	287.3		
Market areas total	**1 374.5**	1 572.8		
IFRS 16 impact	**501.4**			
Group total	**1 876.0**	1 572.8		
Finland %	**45.2%**	40.9%		
International operations %	**54.8%**	59.1%		

*) Includes franchising income

ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

EUR mill.	**31.12.2019**	31.12.2018
Discontinued operations		
Profit/loss for the financial period from discontinued operations		
Income		0.0
Expenses		−1.5
Profit/loss before and after taxes		−1.4
Cash flows from discontinued operations		
Cash flow from investments		14.3
Cash flow total		14.3
Other assets classified as held for sale and the relating liabilities		
Intangible assets and property, plant and equipment		172.8
Other receivables		0.5
Cash and cash equivalents		2.4
Other liabilities		34.6
Net assets		141.1

KEY FIGURES OF THE GROUP

	31.12.2019	31.12.2018
Equity ratio, %	**38.1**	46.2
Net gearing, %	**112.4**	64.5
Cash flow from operating activities per share, year-to-date, EUR	**1.42**	1.15
Interest-bearing net debt, EUR mill.	**900.2**	543.3
Number of shares at the end of the period, thousands	**72 049**	72 049
Weighted average number of shares, undiluted and diluted, thousands	**72 049**	72 049
Market capitalisation, EUR mill.	**154.5**	140.8
Operating profit/loss, % of revenue	**1.4**	−0.5
Equity per share, EUR	**11.12**	11.71
Return on equity, rolling 12 months, %	**−6.6**	−5.2
Return on capital employed, rolling 12 months, %	**0.9**	−0.4
Average number of employees, converted to full-time equivalents	**4 891**	5 299
Capital expenditure, year-to-date, EUR mill.	**33.8**	29.3

IFRS 16 had a significant impact in the comparability of certain key figures

DEFINITIONS OF KEY FIGURES

Performance measures according to IFRS

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

Alternative performance measures

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

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

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

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

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

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

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

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

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

EXCHANGE RATES OF EURO

Closing rate for the period	**31.12.2019**	31.12.2018
NOK	**9.8638**	9.9483
SEK	**10.4468**	10.2548
Average rate for the period	**1.1.–31.12.2019**	1.1.–31.12.2018
NOK	**9.8505**	9.6002
SEK	**10.5871**	10.2584

INFORMATION PER QUARTER

Consolidated income statement per quarter

EUR mill.	**Q4 2019**	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Continuing operations								
Revenue	**285.7**	225.3	242.3	207.2	304.5	232.5	279.4	202.4
Other operating income	**0.0**	0.0	0.0	0.0	0.0	0.0	7.0	0.0
Fair value changes on investment properties					0.0	−0.2	0.0	0.0
Materials and consumables	**−124.0**	−98.3	−100.3	−96.9	−135.3	−95.9	−116.7	−90.8
Wages, salaries and employee benefit expenses	**−53.5**	−49.8	−54.3	−53.5	−58.3	−51.3	−55.9	−56.5
Depreciation, amortisation and impairment losses	**−34.8**	−34.1	−35.3	−35.4	−38.9	−13.9	−13.9	−14.2
Other operating expenses	**−50.9**	−41.1	−42.1	−42.8	−74.7	−76.2	−70.3	−67.7
Operating profit/loss	**22.4**	2.1	10.2	−21.4	−2.8	−4.9	29.6	−26.9
Financial income	**0.3**	0.3	0.3	0.3	0.3	0.1	0.1	0.2
Financial expenses	**−12.6**	−13.3	−13.8	−14.1	−9.5	−7.9	−8.9	−8.9
Total financial income and expenses	**−12.3**	−13.1	−13.6	−13.8	−9.2	−7.8	−8.8	−8.7
Profit/loss before tax	**10.1**	−11.0	−3.3	−35.2	−12.0	−12.7	20.8	−35.6
Income taxes	**−8.3**	−7.3	−2.2	2.8	5.0	−1.1	−12.8	4.7
Profit/loss from continuing operations	**1.9**	−18.2	−5.5	−32.4	−7.0	−13.8	8.0	−30.9
Profit/loss from discontinued operations					−1.4			
Net profit/loss for the period	**1.9**	−18.2	−5.5	−32.4	−8.4	−13.8	8.0	−30.9

Earnings per share per quarter

EUR	**Q4 2019**	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
From continuing operations (undiluted and diluted)	**−0.01**	−0.27	−0.10	−0.47	−0.12	−0.21	0.09	−0.45
From the period result (undiluted and diluted)	**−0.01**	−0.27	−0.10	−0.47	−0.14	−0.21	0.09	−0.45

Segment information per quarter*

EUR mill.	**Q4 2019**	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Revenue								
Lindex	**159.7**	147.6	154.0	114.5	164.3	147.0	163.8	114.8
Stockmann	**126.5**	78.2	88.8	93.3	140.2	85.5	115.7	87.5
IFRS 16 impact	**−0.5**	−0.5	−0.5	−0.5				
Group total	**285.7**	225.3	242.3	207.2	304.5	232.5	279.4	202.4
Reported operating profit/loss								
Lindex	**14.4**	11.6	18.8	−12.6	14.8	10.8	19.6	−16.2
Stockmann	**8.2**	−9.5	−8.9	−10.3	7.8	−14.6	11.2	−9.8
Unallocated	**−4.3**	−4.3	−3.5	−2.3	−0.4	−1.1	−1.2	−0.8
Goodwill impairment					−25.0			
IFRS 16 impact	**4.2**	4.3	3.8	3.8				
Group total	**22.4**	2.1	10.2	−21.4	−2.8	−4.9	29.6	−26.9
Adjustments to Operating profit/loss								
Lindex	**−2.3**	−0.4			0.0	0.0	−1.2	−0.3
Stockmann	**1.4**	−0.1	−3.2	−0.8	−1.3	−10.8	7.0	−1.7
Unallocated	**−4.6**	−2.8	−2.8					
Goodwill impairment					−25.0			
Group total	**−5.5**	−3.3	−6.0	−0.8	−26.3	−10.8	5.7	−2.0
Adjusted Operating profit/loss								
Lindex	**16.7**	12.0	18.8	−12.6	14.8	10.8	20.8	−15.9
Stockmann	**6.8**	−9.4	−5.7	−9.5	9.1	−3.8	4.2	−8.1
Unallocated	**0.3**	−1.5	−0.6	−2.3	−0.4	−1.1	−1.2	−0.8
IFRS 16 impact	**4.2**	4.3	3.8	3.8				
Group total	**28.0**	5.4	16.2	−20.6	23.5	5.9	23.8	−24.8

Information on market areas

EUR mill.	**Q4 2019**	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Revenue								
Finland	**117.2**	80.1	84.7	87.1	124.1	80.4	106.0	75.8
Sweden** and Norway	**121.8**	110.3	118.3	87.4	126.6	110.9	124.5	87.1
Baltic countries, Russia and other countries	**47.2**	35.4	39.7	33.3	53.9	41.2	48.9	39.5
Market areas total	**286.2**	225.8	242.8	207.8	304.5	232.5	279.4	202.4
IFRS 16 impact	**−0.5**	−0.5	−0.5	−0.5				
Group total	**285.7**	225.3	242.3	207.2	304.5	232.5	279.4	202.4
Finland %	**41,0%**	35,5%	34,9%	41,9%	40,7%	34,6%	37,9%	37,4%
International operations %	**59,0%**	64,5%	65,1%	58,1%	59,3%	65,4%	62,1%	62,6%
Operating profit/loss								
Finland	**1.9**	−12.3	−12.2	−12.0	3.4	−19.0	5.7	−17.1
Sweden** and Norway	**13.6**	10.9	18.1	−13.0	10.0	8.9	17.3	−10.1
Baltic countries, Russia and other countries	**2.7**	−0.8	0.5	−0.2	8.9	5.1	6.6	0.3
Market areas total	**18.3**	−2.2	6.4	−25.2	22.2	−4.9	29.6	−26.9
Goodwill impairment					−25.0			
IFRS 16 impact	**4.2**	4.3	3.8	3.8				
Group total	**22.4**	2.1	10.2	−21.4	−2.8	−4.9	29.6	−26.9

* Segment information for Q1 2019, Q2 2019 and 2018 is adjusted for comparison purposes
** Includes franchising income

CONTINGENT LIABILITIES AND DERIVATIVE CONTRACTS

Contingent liabilities of the Group, EUR mill.	**31.12.2019**	31.12.2018
Mortgages on land and buildings *)	**1 671.7**	1 671.7
Pledges and guarantees	**1.7**	1.9
Electricity commitments	**1.2**	1.3
Liabilities of adjustments of VAT deductions made on investments to immovable property	**4.0**	5.7
Total	**1 678.6**	1 680.6
*) Fair value of land and buildings	**668.2**	852.5
On 17 December 2015 Stockmann issued a hybrid bond of EUR 85 million and further capital securities in amount of EUR 21 million in November 2019. The accrued interest on the bond at the end of period was:	**7.5**	6.0

Lease agreements on the Group's business premises, EUR mill.	**31.12.2019**	31.12.2018
Minimum rents payable on the basis of binding lease agreements on business premises		
Within one year	**15.8**	122.7
After one year		458.7
Total	**15.8**	581.4

Group's lease payments, EUR mill.	**31.12.2019**	31.12.2018
Within one year	**0.2**	0.7
After one year	**0.5**	1.4
Total	**0.7**	2.2

Group's derivative contracts, EUR mill.	**31.12.2019**	31.12.2018
Nominal value		
Currency derivatives	**460.0**	470.1
Electricity derivatives	**1.7**	1.4
Total	**461.7**	471.5

CONSOLIDATED ASSETS AND GOODWILL

Assets, EUR mill.	**31.12.2019**	31.12.2018
Acquisition cost at the beginning of the period	**2 032.3**	2 169.8
Right-of-use assets 1.1.	**517.5**	
Fair value change from revaluation of the real estates	**5.1**	8.4
Translation difference +/-	**−25.3**	−38.6
Increases during the period	**92.1**	29.3
Decreases during the period	**−14.4**	−136.6
Transfers between items during the period	**0.0**	0.0
Transfers to non-current assets classified as held for sale		0.0
Acquisition cost at the end of the period	**2 607.4**	2 032.3
Accumulated depreciation and impairment losses at the beginning of the period	**−633.3**	−598.0
Translation difference +/-	**8.1**	11.1
Depreciation on reductions during the period	**14.3**	34.6
Accumulated depreciation on transfers to non-current assets classified as held for sale		0.0
Depreciation, amortisation and impairment losses during the period	**−139.6**	−80.9
Accumulated depreciation and impairment losses at the end of the period	**−750.5**	−633.3
Carrying amount at the beginning of the period	**1 399.1**	1 571.8
Carrying amount at the end of the period	**1 856.9**	1 399.1

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

Goodwill, EUR mill.	**31.12.2019**	31.12.2018
Carrying amount at the beginning of the period	**516.1**	563.8
Translation difference +/-	**−9.5**	−22.7
Impairment losses		−25.0
Carrying amount at the end of the period	**506.6**	516.1

RIGHT-OF-USE ASSETS

12/31/2019, EUR mill.	Buildings	Machinery and equipment	Total
Right-of-use assets 1.1.	515.8	1.8	517.5
Translation difference +/-	−5.7	0.0	−5.7
Increases during the period	57.7	0.7	58.4
Decreases during the period		−0.1	−0.1
Acquisition cost at the end of the period	567.8	2.3	570.1
Translation difference +/-	−0.5		−0.5
Depreciation on reductions during the period		0.0	0.0
Depreciation, amortisation and impairment losses during the period	−83.2	−0.7	−83.9
Accumulated depreciation and impairment losses at the end of the period	−83.7	−0.7	−84.4
Carrying amount at the beginning of the period			
Carrying amount at the end of the period	484.1	1.6	485.7

FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY AND HIERARCHICAL CLASSIFICATION OF FAIR VALUES

Financial assets, EUR mill.	Level	**Carrying amount 31.12.2019**	**Fair value 31.12.2019**	Carrying amount 31.12.2018	Fair value 31.12.2018
Derivative contracts, hedge accounting applied	2	**0.0**	**0.0**	0.6	0.6
Financial assets at fair value through profit or loss					
Derivative contracts, hedge accounting not applied					
Currency derivatives	2	**0.3**	**0.3**	0.2	0.2
Electricity derivatives	1	**0.1**	**0.1**	0.6	0.6
Financial assets at amortised cost					
Non-current receivables		**0.4**	**0.4**	0.6	0.6
Non-current lease receivables		**15.7**	**15.7**		
Current receivables, interest-bearing		**0.1**	**0.1**	0.8	0.8
Current lease receivables		**1.3**	**1.3**		
Current receivables, non-interest-bearing		**36.7**	**36.7**	42.3	42.3
Cash and cash equivalents		**24.9**	**24.9**	43.4	43.4
Other investments	3	**0.3**	**0.3**	0.3	0.3
Financial assets by measurement category, total		**79.6**	**79.6**	88.8	88.8

Financial liabilities, EUR mill.	Level	**Carrying amount 31.12.2019**	**Fair value 31.12.2019**	Carrying amount 31.12.2018	Fair value 31.12.2018
Derivative contracts, hedge accounting applied	2	**9.3**	**9.3**	3.0	3.0
Financial liabilities at fair value through profit or loss					
Derivative contracts, hedge accounting not applied					
Currency derivatives	2	**0.0**	**0.0**	0.0	0.0
Financial liabilities at amortised cost					
Non-current interest-bearing liabilities	2	**364.5**	**363.0**	359.9	339.0
Non-current lease liabilities		**438.6**	**438.6**		
Current liabilities, interest-bearing	2	**47.8**	**47.9**	227.9	228.1
Current lease liabilities		**91.2**	**91.2**		
Current liabilities, non-interest-bearing		**185.3**	**185.3**	187.0	187.0
Financial liabilities by measurement category, total		**1 136.7**	**1 135.3**	777.9	757.2

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

There were no transfers between levels during the financial year.

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

Change in fair value of other investments, EUR mill.	**31.12.2019**	31.12.2018
Carrying amount 1.1.	**0.3**	0.3
Translation difference +/-	**0.0**	0.0
Total	**0.3**	0.3

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