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DEPARTMENT STORES

 **STOCKMANN** STOCKMANN.COM

475

FASHION STORES

LINDEX LINDEX.COM

5

PROPERTIES

REVENUE / EUR mill.

1303

1435 (2015)

OPERATING RESULT* / EUR mill.

20.2

-28.5 (2015) * Adjusted



Stockmann, founded in 1862, is a Finnish listed company engaged in the retail trade. The Group has three business divisions: Lindex, Stockmann Retail and Real Estate, about 50 000 shareholders and a personnel of about 8 000. Stockmann offers premium

selections of international brands, excellent customer service and experiences in modern and inspirational multichannel shopping environments. Our vision is to be the first source of inspiration for modern urban life for our customers.

LINDEX

STOCKMANN RETAIL

REAL ESTATE

Purchasing offices in Bangladesh, India, China, Pakistan and Turkey

STORES IN 17 COUNTRIES





Up-to-date selections are one of Stockmann's competitive edges. During the year more than 50 new brands were introduced in the department store collections.



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Financial Review 2016



Corporate Governance 2016



Corporate Social Responsibility 2016

OUR REPORTING

Stockmann's 2016 reporting consists of four reviews: 'Our year 2016' Business Review, Financial Review, Corporate Governance, and Corporate Social Responsibility. This Business Review gives an overview of the Stockmann Group's strategy, business operations and CSR management. The Corporate Social Responsibility review covers the responsibility work in more detail and according to GRI G4 standards.

All reviews are available in Finnish, Swedish and English. They can be found at year2016.stockmanngroup.com. The Business Review is also available as a printed version which will be posted to those who have ordered it.

STOCKMANN IN 2016

DIVESTMENTS // FEBRUARY

EXIT FROM RETAIL IN RUSSIA

In February Stockmann completed the sale of its department store operations in Russia to Reviva Holdings Limited. With the deal, the entire stock of Stockmann's Russian subsidiary AO Stockmann and the business of its the seven department stores in Russia were transferred to a new owner. Lindex also closed its stores in Russia during spring 2016. In April Stockmann announced that it was selling its subsidiary Hobby Hall to the Finnish SGN Group. This deal was concluded on 31 December 2016.

DISTRIBUTION CENTRE // APRIL

HIGHLY AUTOMATED CENTRE

Stockmann's new distribution centre serving the department stores in Finland and the Baltic countries and the online store was completed in Jussla, which is in Tuusula, Finland, and operations started in April. The centre was fully operational in autumn 2016. Warehouse operations will be transferred from Riga in Latvia to Jussla during 2017.

The centre's surface area is

29,000m²

and it has been granted the LEED Gold environmental certificate. The centre contains **13 km of garment racking, 27 loading docks and 22 online store packing stations.**

READ MORE

in our corporate social responsibility review at year2016.stockmanngroup.com

WOMEN'S ACCESSORIES // AUGUST

RENEWED HELSINKI FLAGSHIP

The Helsinki city centre department store was renewed during 2016. A new **women's accessories department** was opened on the Pohjoisesplanadi side of the building, *offering inspiration, a high-class shopping environment* and an ample selection of handbags, gloves, hats and scarves. During the summer and autumn many of the other departments also experienced a makeover and a **new home interior department** was opened on the fifth floor.



LINDEX // FEBRUARY

EVEN BETTER DENIM

Lindex's new, more sustainable denim collection, Better Denim was introduced in 2016. Today 100% of Lindex denim assortment is Better Denim, made from more sustainable cotton and in processes using less water, energy and chemicals. In autumn, a collection of Even Better Denim was launched, that contains post-consumer recycled cotton.



INNODAY // MAY

COOPERATION WITH YOUTH

Stockmann and **Innokampus**, a think tank for young people, signed an agreement on a one-year project to develop new service concepts for Stockmann in collaboration with young people. Stockmann is one of Innokampus' main partners. In May Stockmann took part in the *InnoDay* event organised by Innokampus.

NEW MANAGEMENT // JUNE

EFFICIENCY PROGRAM

In the summer Stockmann announced that it would be accelerating its efficiency measures and it appointed a new Management Team. In addition to cutting costs, Stockmann's target is to considerably flatten its organisational structure, eliminate overlaps and simplify processes. The efficiency programme reduced operating costs by over EUR 65 million in 2016, and the new flatter organisation will add another EUR 20 million on top of this in 2017.

NEW CEO // SEPTEMBER

In September **Lauri Veijalainen** was appointed the company's new Chief Executive Officer. He had served as the company's interim CEO since April 2016 and before this as the CFO.



TAPIOLA // ALL YEAR

NEW DEPARTMENT STORE

The topping out ceremony of the new Stockmann department store in Tapiola was celebrated on 25 May 2016. The entirely new department store is part of the second stage of the **AINOA shopping centre** project and will be completed in March 2017. The concept of the Tapiola department store is unique in that it will offer a seamless multichannel shopping



experience and make shopping at Stockmann more convenient. In keeping with strategy, the selection of the new department store will focus on fashion, cosmetics, home products and the Delicatessen. The customer expert programme *Uutta Stockaa Tapiolaan* (New Stockmann in Tapiola) was used in designing the department store and the shopping experiences of the future. Customers were invited to participate in the programme to provide their opinions and ideas for improvement in social media and panel discussions.

ONLINE STORE // NOVEMBER

WIDER SELECTION & EASIER SEARCHING

The renewed *stockmann.com* online store was opened to customers in November 2016. It is the first version of a store that will keep evolving, driven by the customers' wishes. The new *stockmann.com* displays availability in department stores and has a new predictive search function to make searching easier by finding products more quickly and offering a wider selection. The online store also has an entirely new responsive user interface. A **new Crazy Days** online store opened earlier in the autumn, breaking records right from the start.

REFURBISHMENTS // NOVEMBER

FLAVOUR EXPERIENCES

The renewed Delicatessen in the **Turku** department store was inaugurated in November.

The 5th floor of the Stockmann in

Tallinn was also modernised in a project completed in late autumn and now offers customers new services, cafes and other flavour experiences.

The offering of the **Riga** department store was also expanded late in 2016 with new partners and brands.



LINDEX // AUTUMN

SUSTAINABLE CLOTHES

In the autumn, a kid's wear selection was launched in Lindex's extremely popular *Holly & Whyte* collection. In fact, kid's wear was Lindex's most successful business area in 2016. Lindex has made a long-term effort to increase the use of more sustainable materials in its products.

The goal is that by 2020,

80%

of clothes will be made with more sustainable materials

and 100 % of the cotton used will be from sustainable sources. In 2016 already more than half of the clothes in Lindex's collections were made from more sustainable materials. All clothes in the newborn selection and kid's basic collection are made from more sustainable materials.



"OUR IMPROVED
RESULTS HAVE
REINFORCED
OUR CONFIDENCE
THAT WE ARE
ON THE RIGHT
PATH."

LAURI VEIJALAINEN, CEO



RETURN BACK TO PROFITABILITY – ON THE RIGHT PATH

In 2016 we continued our determined progress in implementing our strategy and focused on improving Stockmann's profitability with several reforms and changes. At the beginning of the year we sold our entire department store operations in Russia and in April we signed an agreement to sell Hobby Hall. This deal was completed on 31 December 2016. Stockmann's cost base has been significantly decreased, and we are now focusing all our efforts on developing the Stockmann and Lindex brands and on the Real Estate business.

During the year we reinforced our department stores' product and service offerings with over 50 new brands and numerous partners. We have also renewed our shopping environments from floor to ceiling, especially in Helsinki, the Delicatessen in Turku and in our stores in the Baltic countries. We had fewer price-driven campaigns and continued the efficiency programme launched in 2015, the goal of which is to streamline operations and speed up decision making, in addition to a significant reduction in costs. We have also invested in our online store and digital solutions.

Under the efficiency programme, we were forced to further reduce staff during 2016. These cost-cutting measures have been hard on our staff but absolutely necessary to ensure our future success, including the profitability of our department store business.

INCREASING SPEED

The measures are already making a visible difference to our result. In 2016, operating costs decreased more than EUR 65 million and helped us to improve Stockmann's result despite a decline in revenue. It is especially pleasing that for the Group as a whole, our operating result was again positive following two years of heavy losses. Our improved results have reinforced our confidence that we are on the right path.

Of the three divisions of the Group, Lindex and Real Estate are solidly profitable but Stockmann Retail, which engages in department and online store operations continued to make a loss. The division's result, however, was improved by around EUR 20 million. During 2017 we will increase our speed to also turn the department store operations' operating result to positive in 2018.

As a milestone, Stockmann closed its department store in Oulu in January 2016 after 16 years. In the future, Stockmann Retail will focus all of its resources on its eight department stores in Finland and the Baltic

countries and the online store that supports them. Real Estate will continue to improve the efficiency of retail space and the value of properties by introducing attractive brands and services. In 2017 we will also boost the expansion of Lindex, our most profitable division, and invest in digital business.

CUSTOMER EXPERIENCE RAISED TO A NEW LEVEL

An excellent customer experience and quality of service have always been Stockmann's signature qualities. A deeper dialogue with customers is also a goal of Stockmann's corporate social responsibility strategy. We have invited customers to participate in the development of new services such as our new online store and the new Tapiola department store. Our goal is to ensure that our reforms meet our customers' needs.

We receive a huge amount of feedback from our customers both in the customer contact centre and in our daily encounters with customers in the department stores. During 2016 we introduced new ways to collect, analyse and use customer feedback. An excellent example of this is the tablet our sales staff now use, giving them a quick way to pass on feedback. We have also collected feedback with several customer satisfaction surveys conducted through different channels and exit polls.

I would like to take this opportunity to thank our customers for all the feedback and comments that we have received during the year. They help us to further develop our operations and ensure future solutions that better service our customers. The new Tapiola department store, which will open in March, is a concrete example of the cooperation we engage in with our customers.

I also want to thank all of our stakeholders and especially our staff for their perseverance during our transformation. I am grateful to our shareholders, Board of Directors, and partners for all the support and cooperation.

The fact that we have been able to turn the company around and make a positive operating profit is proof that we are on the right path. Our strategic goal for 2017 is to continue to improve profitability and the agile development of our operations. To achieve this, we will need the contribution and success of everyone at Stockmann.

Lauri Veijalainen
CEO

GIVING CUSTOMERS MORE REASONS TO VISIT

Stockmann has been implementing its strategy since the end of 2014 when the current strategy framework was defined. Since then, the company has made considerable changes to its operations.

As a result of the strategy implementation, Stockmann is now focusing on its core competences and businesses by developing the Stockmann and Lindex brands and its real estate portfolio. The Stockmann Retail and Real Estate divisions support each other, while Lindex is being developed as an independent part of the Group. The Group is focusing strongly on the development of its department store business in the Finnish and Baltic markets and supporting the growth of Lindex in the international market.

CONTINUED EFFORTS TO GAIN EFFICIENCY

In line with its strategy, Stockmann has discontinued unprofitable business operations and merchandise areas, reduced the department store network and retail space, and launched an efficiency programme concerning all the Group's functions. Consequently, Stockmann completed the divestment of the Russian department store business in February 2016 and Hobby Hall at the year-end.

The efficiency programme launched in 2015 has gradually impacted operating costs during 2016. The annual savings target of EUR 50 million was achieved by the end of the year. Furthermore, the new highly automated distribution centre that was taken into use in 2016 will produce additional savings as of 2017.

To accelerate the turnaround of the loss-making Stockmann Retail division, Stockmann launched additional savings in summer 2016, with the aim of eliminating overlaps and simplifying processes. A new Management Team was also appointed. The new streamlined organization entered into force in autumn, and the targeted annual cost savings of EUR 20 million will be achieved in 2017. With the help of the savings, Stockmann Retail is expected to achieve a positive operating result in 2018.

IMPROVED SELECTION AND SERVICE

Stockmann is now entering the next stage in its strategy implementation, which is focused on creating more reasons for customers to visit its stores. The key targets include actions to improve the selection, service and shopping experience as a whole. With these means, Stockmann aims to increase visitor traffic and reactivate passive loyal customers, in order to boost sales.

Stockmann Retail's focus areas are fashion, beauty, food and home products. Additional product areas and services are now provided by tenants in the department stores. Stockmann wants to offer its customers a premium shopping experience consisting of an up-to-date mix of brands and novelties from around the world. The product ranges are targeted particularly at customers who value convenient shopping, quality and inspiring shopping experiences.

Stockmann constantly renews its department store concepts and premises, and will also continue to strongly invest in digital services to enhance the customer experience. At the heart of Stockmann's brand is to provide best-in-class services and solutions that enrich customers' experiences in the stores. Stockmann has worked to improve customer service within its customer service centre and department stores.

ENHANCED CUSTOMER FOCUS

In order to better meet continuously changing customer needs and make the offering even more compelling Stockmann has analysed customer expectations and different customer segments in more detail. All these measures aim at bringing the customer to the core and further strengthening the customer orientation.

Customer focus also forms the core of Stockmann's corporate social responsibility work, as is stated in the CSR strategy: Stockmann wishes to increase customer awareness of responsibility, offer custom-

OUR VISION //

To be our customers'

NO 1

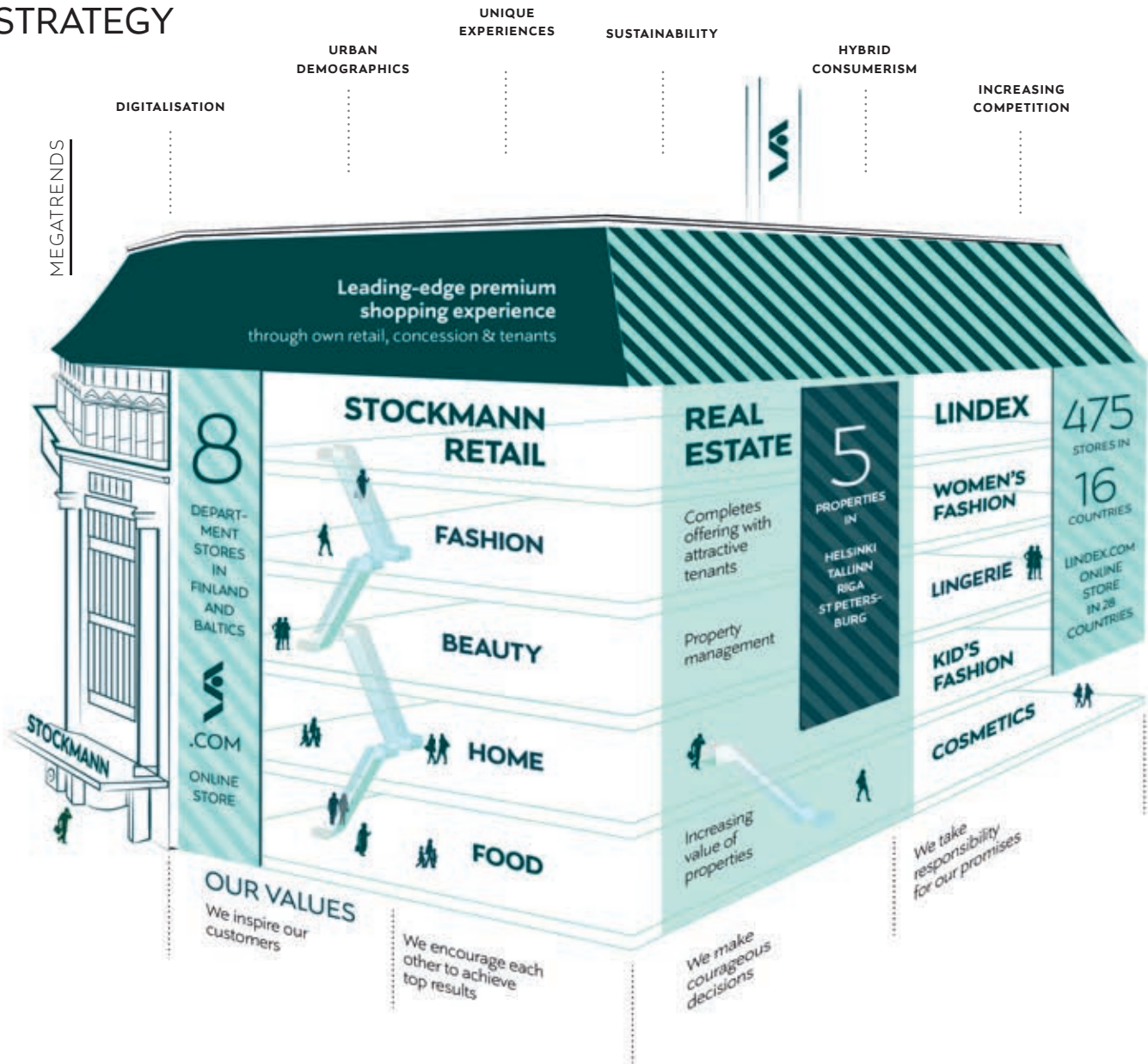
SOURCE OF
INSPIRATION
FOR MODERN,
URBAN LIFE

FASHION, BEAUTY,
FOOD & HOME
IN FOCUS





STRATEGY

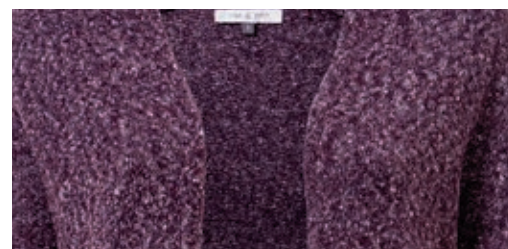
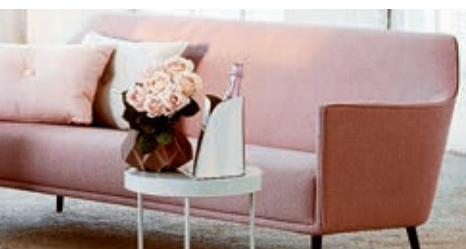


ers sustainable products and create the best practices in retail by investing in a transparent supply chain and minimising environmental impact, for example. The fruitful dialogue will be continued.

INVESTMENTS IN DIGITALISATION

The digital journey of Lindex was developed further in 2016 and it will take new strides during 2017 in stores and online. Lindex has an increased ambition for digital growth and transformation to support the business

strategy and brand development. The aim is to accelerate production of inspiring e-commerce content to cover the majority of women's wear styles on models and increase the amount of inspiring content and dialogue with customers in social media. In addition, Lindex wants to deliver a worthy post purchase brand experience for e-commerce customers and is increasing the opening hours in customer service to reflect visitors' behaviour. An increased capability to analyse customer behaviour and preparations for and management of market expansion will also be invested in.



RESPONSIBLE SHOPPING EXPERIENCES

Corporate social responsibility (CSR) is at the core of Stockmann's values and daily ways of working, covering the entire value chain of its operations. Stockmann is a major employer, a significant purchaser of products and services, an investor, a partner and a taxpayer.

Responsibility starts in the supply chain, and covers everything from ensuring safe working conditions to minimizing environmental impacts, and offering our customers the option of responsibly produced products in our selections. Customer satisfaction is at the core of our operations, and we pay close attention to employee wellbeing and environmental aspects. We guarantee the safety of our products and inspire our customers to make responsible choices.

GUIDING PRINCIPLES FOR CSR

Stockmann's responsibility work is steered by the company's strategy and values, the CSR strategy, and international agreements and recommendations, the most important of which is the commitment to the principles

of the United Nations Global Compact. The Stockmann Code of Conduct, complemented with other internal policies, defines the ways of working for all employees and management staff without exception. Stockmann also requires its goods suppliers and other partners to abide by these principles.

Stockmann is committed to contributing to the United Nations Sustainable Development Goals of the 2030 Agenda for Sustainable Development. The targets that are most material to our business and that we can have the most effect on are Responsible Consumption and Production, Decent Work and Economic Growth, Climate Action, and Partnerships for the Goals.

In our CSR strategy for 2016-2018, we set tangible targets to further improve our status as a responsible corporate citizen. These goals, presented in detail in the CSR review, support the Group strategy and the aims of our business operations by enhancing customer focus and improving efficiency. We work determinedly to meet these goals, which cover the whole value chain and make the assessment and reporting of our performance possible.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



8 DECENT WORK AND ECONOMIC GROWTH



13 CLIMATE ACTION



17 PARTNERSHIPS FOR THE GOALS



CREATING VALUE FOR SHAREHOLDERS

Stockmann's operations have extensive economic impacts on stakeholders and society. We engage in active and continuous dialogue with our key stakeholders to strengthen relations and better respond to the needs and expectations placed on Stockmann. The identified key stakeholder groups have the greatest impact on the company's business operations and they are also most affected by the business operations.

Over 190 million people visit Stockmann department stores, Lindex stores and their online stores every year, and the company's products and services are used every day. In 2016, the Group employed 9 006 people on average and paid EUR 290.5 million in salaries and other benefits to the personnel. Due to the loss-making result no dividends were paid in 2016. In a broader perspective, the value-added tax paid on products sold

OUR CSR VISION //

WE OFFER OUR CUSTOMERS RESPONSIBLE SHOPPING EXPERIENCES. WE ARE COMMITTED TO WORKING FOR A MORE SUSTAINABLE FUTURE.

2016

HIGHLIGHTS OF RESPONSIBILITY WORK

- We inspired our customers** by sharing information about our sustainable choices and CSR work through reporting, the website, social media, responding to queries by customers, media, and NGOs, and by informing our sales personnel. Steps towards increased customer satisfaction were taken with improvements in the collection and analysis of customer feedback.
- 2016 was a demanding year** for our employees, characterized by organisational changes, personnel reductions, and the establishment of new ways of working. An Organizational Health Index (OHI) survey was carried out among Stockmann's employees for the third consecutive year, and efforts to promote employee wellbeing and coping at work will be continued.

ADDED VALUE TO STAKEHOLDERS

Resources

PROFESSIONAL
STAFF &
ORGANISATION

BRAND

PRODUCTS

OMNICHANNEL
SERVICES

FINANCIAL
RESOURCES
& PROPERTIES

NATURAL RESOURCES



Impacts

CUSTOMERS

Sales excluding VAT, other operating income, financial income EUR 1 303.2 mill.

EMPLOYEES

Salaries, wages, pension contributions and other benefits EUR 290.5 mill.

SOCIETY

Social security payments & taxes EUR 52.4 mill.

SUPPLIERS & OTHER PARTNERS

Cost of goods, materials & services EUR 981.4 mill.

INVESTORS & SHAREHOLDERS

Financial expenses EUR 23.9 mill.
No dividends in 2016

and the income taxes paid by our employees are also among the impacts of our operations. Stockmann's actions indirectly extend to the operating environment via, for example, indirect employment in the supply chain. As a responsible corporate citizen, Stockmann actively participates in social projects. Lindex has been a partner in the Pink Ribbon project since 2003 and during this time has, together with its customers, donated over EUR 12 million to support breast cancer research.

READ MORE

The Stockmann CSR Review that can be found at year2016.stockmanngroup.com presents the targets and results of the Group's responsibility work in more detail.

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▣ **Projects with the aim** of reducing the amount of food waste and finding new opportunities for donating food continued in the Delicatessens. Also non-food products and samples were donated to several charitable organizations, such as Hope ry.
- ▣ **Stockmann made a voluntary commitment** to reduce plastic waste and started the renewal of its shopping bag selection with new, more sustainable options.

- ▣ **Lindex made progress** in reaching its ambitious 2020 targets for sustainable materials in garments, with 90% of cotton from sustainable sources and over 50% of the entire collection made from more sustainable materials.

- ▣ **Active work towards** a responsible, transparent and traceable supply chain continued during 2016. 123 audits according to the Business Social Compliance Initiative (BSCI) were made at factories producing own brand products.

- ▣ **Energy efficiency** was improved according to set targets, and the opening of the new distribution centre, which was granted the LEED Gold environmental certification, will reduce the distances travelled in logistics and thus CO₂ emissions.

- ▣ **Lindex scaled up** its initiative for textile reuse and recycling. Customers can now take used textiles to all stores in Sweden, Norway and Finland. During the year, Lindex introduced new, 'Even Better Denim' styles containing post-consumer recycled cotton.

- ▣ **The roll-out of the Code of Conduct** e-learning module continued in 2016, and will be expanded in 2017. Open, transparent and regular communications, which are based on active dialogue with stakeholders, will be continued. Stockmann reports on its CSR targets and results every year as part of its annual reporting, and according to the GRI G4 reporting guidelines.

2016

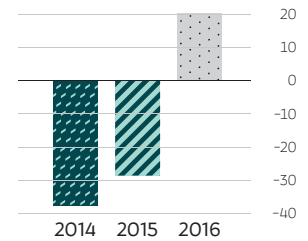
OPERATING RESULT TURNED POSITIVE

The Stockmann Group's adjusted operating result in 2016 was up EUR 48.7 million, to EUR 20.2 million (EUR -28.5 million). Operating costs decreased by more than EUR 65 million and helped improve the result despite lower revenue. The Group achieved a positive operating result after two years of heavy losses.

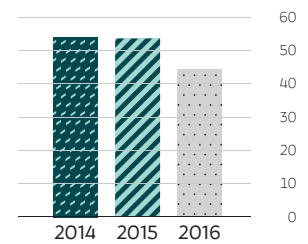
Of the Group's three divisions, the fashion chain Lindex and the Real Estate business are profitable, but Stockmann Retail was still loss-making. During 2017, Stockmann will accelerate actions to turn the department stores again into positive operating result in 2018.

The Stockmann Group's revenue was EUR 1 303.2 million in 2016. The Group's revenue in continuing product areas and businesses was down by 4.1%. Earnings per share in continuing operations were EUR -0.33 (EUR -1.24), or EUR -0.12 (EUR -2.43) including discontinued operations. The Board of Directors will propose no dividend to be paid on the 2016 result.

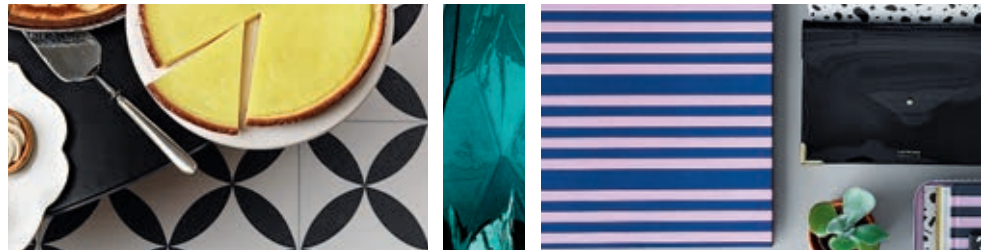
OPERATING RESULT
EUR MILL. / ADJUSTED



CAPITAL
EXPENDITURE
EUR MILL.



READ MORE
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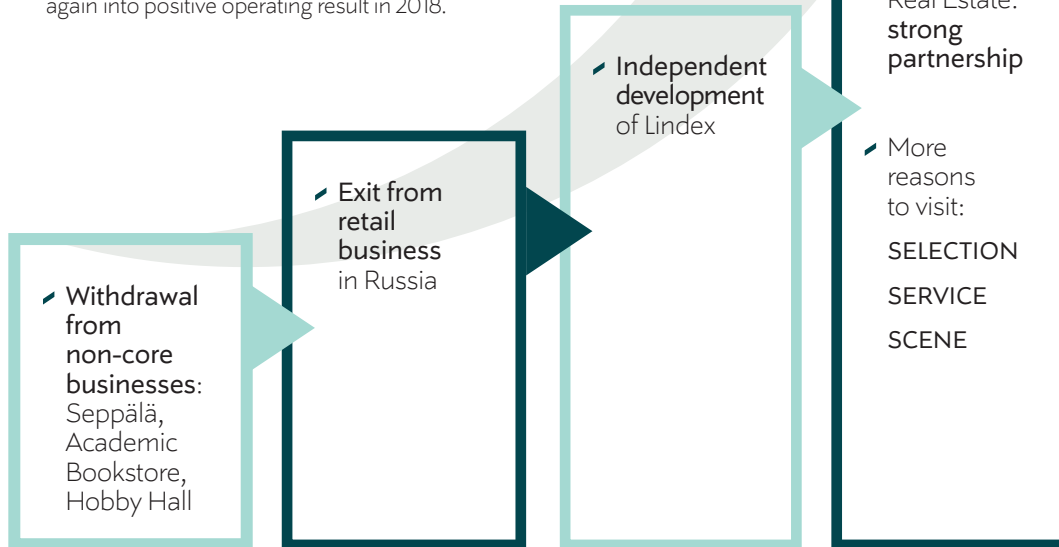


KEY FIGURES

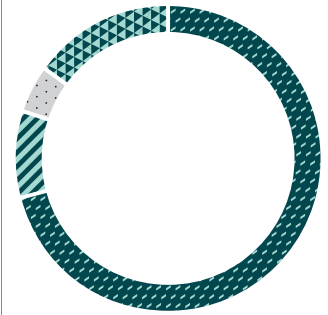
	2016	2015
REVENUE, EUR mill.	1 303.2	1 434.8
GROSS MARGIN, per cent	53.4	50.6
EBITDA, adjusted, EUR mill.	79.4	43.4
OPERATING RESULT, EUR mill.	17.6	-52.5
- Adjusted, EUR mill.	20.2	-28.5
ADJUSTMENTS TO OPERATING RESULT, EUR mill.	2.6	24.0
NET FINANCIAL COSTS, EUR mill.	23.1	21.2
RESULT BEFORE TAX, EUR mill.	-5.5	-73.7
RESULT FOR THE YEAR, EUR mill.	-18.2	-88.9
- Including discontinued operations, EUR mill.	-3.2	-175.0
EARNINGS PER SHARE, undiluted, EUR	-0.33	-1.24
- Including discontinued operations, EUR	-0.12	-2.43

TURNAROUND ON TRACK

- Improved result driven by divestments, restructuring and solid performance of Lindex and Real Estate
- Positive operating result for the Group in 2016
- Several initiatives to turn the department stores again into positive operating result in 2018.



MERCHANDISE SALES BY PRODUCT AREA



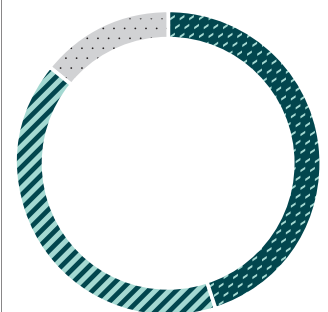
FASHION	71%
COSMETICS	9%
HOME	5%
FOOD	15%

REVENUE BY DIVISION



LINDEX	50%
STOCKMANN RETAIL	45%
REAL ESTATE	5%

REVENUE BY MARKET



FINLAND	45%
SWEDEN & NORWAY	41%
BALTICS, RUSSIA & OTHER COUNTRIES	14%

Without Hobby Hall



	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES, EUR mill.	41.5	17.2
CAPITAL EXPENDITURE, EUR mill.	44.2	53.4
NET GEARING, per cent	68.3	72.1
EQUITY RATIO, per cent	48.3	46.1
EQUITY PER SHARE, EUR	14.99	14.53
PERSONNEL, average	9 006	10 763
SHARE OF PERSONNEL IN FINLAND, per cent	40	46
SALARIES AND OTHER EMPLOYEE BENEFITS, EUR mill.	290.5	321.5
CO ₂ EMISSIONS (SCOPE 1-3), tCO ₂	66 800	71 700
WASTE RECYCLING RATE, per cent	70.5	71.5
GOODS AND MATERIALS PURCHASED, EUR mill.	981.4	1 147.6
SUPPLY CHAIN AUDITS, BSCI, Accord and own audits	359	349



INSPIRING AFFORDABLE FASHION

Lindex's new communication concept *We Make Fashion Feel Good* was introduced at the beginning of 2016 and it is a pivotal part of the brand identity. It matters to Lindex that its fashion is inspiring and that its clothes are well-made, fit perfectly and are affordable. Lindex's motto is that getting dressed should feel good every day.

LINDEX

WE MAKE FASHION FEEL GOOD

In its stores and online store, Lindex offers world-class fashion experiences and a wide selection of women's wear, kid's wear, lingerie and cosmetics. Lindex continues to build its brand in its current and new markets.

With its attractive fashion concept, Lindex is one of Europe's leading fashion chains. Lindex focuses on strengthening and expanding its business both in its main markets in the Nordic countries and in other markets. Its extensive international operations are based on its own store network and the stores of its franchising partners. At the end of 2016 Lindex had a total of 475 stores in 16 countries, of which franchising stores accounted for 39 in six countries. Lindex had 436 of its own stores in ten countries. Because of an uncertain outlook, Lindex withdrew from the Russian market, closing its last remaining stores in the country in May 2016.

Lindex's sales improved especially well during the spring and the fashion chain achieved record second-quarter revenue and earnings. Despite declining Christmas sales especially in Finland and Sweden, Lindex's operating profit improved 23% during the year. Earnings improved thanks to a good gross margin and lower fixed costs. Lindex's operating result was again clearly the highest of the Group's divisions.

Lindex fashion is inspiring and affordable, fits well and is on trend. The products are made in a more sustainable and responsible way. The collections offer both modern and classic fashion for all occasions. In spring 2016, Lindex's customers starred in the successful Bra-volution lingerie campaign while the actress and style-icon Sienna Miller was the face of the spring fashion campaign. In autumn Lindex launched the popular Holly & Whyte collection for kids.

Lindex also included plus sizes as a permanent part of the fashion concepts in the autumn. The separate plus-sized Generous collection was discontinued and women's wear now comes in sizes ranging from XS to 3XL. This reform was launched as a visible part of the autumn campaign.

The responsibility of its collections is important to Lindex. Lindex's target is that by 2020, altogether 80% of all Lindex fashion will be manufactured with materials that have a lower environmental impact. More than half of its collections already met these criteria in 2016. During the year a new, more sustainable denim assortment was introduced and it is manufactured from more sustainable cotton using methods that reduce the amount of water, energy and chemicals used.

475

STORES

16

COUNTRIES

LINDEX.COM
28 COUNTRIES

REVENUE / EUR mill.

633.2

652.3 (2015)

OPERATING RESULT / EUR mill.

54.9

44.6 (2015)

SALES / By merchandise area

WOMEN'S FASHION

33%

LINGERIE KID'S FASHION COSMETICS
26% 36% 5%

REVENUE / By market area

SWEDEN AND NORWAY

79%

FINLAND BALTICS AND OTHER COUNTRIES
11% 10%



! In March 2016 Lindex launched the opportunity to make purchases from its online store via Instagram. Launching the Instagram shop is a step towards Lindex's goal of strengthening its digital services and improving the shopping experience. The fashion chain's target is to combine different channels, to encourage and inspire customers and to make shopping as easy as possible. Investments in digital services will be increased during 2017.

Lindex's Instagram is an important source of inspiration for its customers. Interest in the products and the channel is growing and the shopping option offers customers a simple and quick way to shop online. !

LINDEX LAUNCHES INSTAGRAM SHOP



HIGH-QUALITY DELICACIES

Food is one of Stockmann Retail's four focus areas in addition to fashion, beauty and home products. As a part of the organisational restructuring carried out in 2016, *Stockmann Delicatessen* was made into a separate function responsible for the chain's food purchasing, store operations, marketing, services, supply chain development and the Stockmann Delicatessen kitchen. The Delicatessen's goal is to continue to offer a wide and unique selection, quality, freshness, ease and inspiration.

STOCKMANN RETAIL

INSPIRING SHOPPING IN ALL CHANNELS

Stockmann Retail offers high-quality selections of international brands, professional customer service and excellent customer experiences in modern and inspiring multichannel shopping environments.

Stockmann Retail serves its customers comprehensively in its department stores and the online store which closely supports them. The division includes six department stores in Finland and two in the Baltic countries after the discontinuation of department store operations in Russia, the divestment of Hobby Hall and the discontinuation of the department store in Oulu. The product selection is focused on fashion, beauty, home products and food. Revenue declined in 2016 partly as a result of the discontinuation of many unprofitable product areas.

Stockmann Retail's operations were made more efficient and streamlined during 2016 by flattening the structure of the organisation and creating a new marketing and digitalisation function. Logistics and purchasing were also combined into a new Supply Chain function. The goal is to be more effective and agile in meeting customers' needs. Stockmann Retail's costs declined by more than EUR 50 million during the year thanks to the efficiency programme. However, the operating result of Stockmann Retail was still negative. The operating result improved on the previous year by around EUR 20 million, and the target is to reach a positive operating result in 2018.

Stockmann has invested in the seamless collaboration between the online store and the brick-and-mortar stores and in developing digital services. Stockmann.com complements the offering of the department stores and was renewed during 2016. The Stockmann application was also launched for Android devices in the autumn. With the application customers receive up-to-date information, inspiration and benefits to their mobile phones. Development of the salespersons' tablet tool was continued. The tablet offers staff many new features to support sales work.

A key success factor for the Stockmann department stores is their high-quality offering that is renewed on a continuous basis. The selection was expanded substantially during the year by introducing more than 50 new, attractive brands in accordance with the customers' wishes. They include modern world-class brands, the best Finnish products and new Stockmann private fashion labels such as the cut & pret women's wear brand. Variety was also added with numerous pop-up shops for different brands. Refreshing the selection is a key method for Stockmann to attract more visitors to its department stores and to return to sales growth.

8

DEPARTMENT STORES

3

COUNTRIES

ONLINE STORE
stockmann.com

REVENUE / EUR mill.

635.7

740.8 (2015)

OPERATING RESULT / EUR mill.

-49.8

-72.9 (2015) Adjusted

SALES / By merchandise area

FASHION

43%

BEAUTY 13% HOME 12% FOOD 32%

Without Hobby Hall

REVENUE / By market area

FINLAND

84%

BALTICS

16%



NEW SHOPPING ENVIRONMENTS

Major updates were carried out in the shopping environments of the Stockmann department stores, especially in the centre of Helsinki in 2016. The goal is more inspiring, convenient and attractive environments. A new department for women's accessories was opened and it offers dozens of new brands. The cosmetics department also expanded with new brand shops. A new home interior world was opened on the fifth floor with a wide selection of Finnish and Scandinavian interior design brands. /



NEW PARTNERS

During its short period of operation, Real Estate has successfully extended the selections of Stockmann department stores with several brands and introduced customers to new experiences and services. The good performance continued in 2016: The selections of the department stores in Finland and the Baltic countries were extended with watches and jewellery, outdoor textiles and equipment, toys, furniture and café and restaurant services, among others.

REAL ESTATE

PROPERTY MANAGEMENT IMPROVES THE SHOPPING EXPERIENCE

Real Estate is responsible for managing the properties owned and leased by Stockmann. In addition to a pleasant environment and efficient use of space, first-class shopping experiences are created with the attractive products and services of brands complementing Stockmann's own selection.

The Real Estate division comprises the five properties owned by the Stockmann Group in Helsinki, St Petersburg, Tallinn and Riga. The gross leasable area (GLA) of the properties is around 142,000 m² and 52% of this is being used by Stockmann Retail and the rest by external tenants. In October 2016, Stockmann announced that it was considering selling the Nevsky Centre shopping centre in St Petersburg that is entirely in the use of external tenants. The investigation work is in progress.

The fair value of Stockmann's properties increased during the year by EUR 31.9 million. The leasing occupancy rate rose to 99.1% and the net rental yield of properties was 4.9%. Operating profit continued its strong, steady performance.

Real Estate is focusing on increasing the value of the high-quality property portfolio owned by the Group, the properties' rental income and on its close cooperation with Stockmann Retail. The division is also responsible for managing all the properties and for the subletting of leased premises.

The joint goal of the Real Estate and Stockman Retail divisions is to offer first-class shopping experiences to Stockmann's customers. Seamless cooperation by the divisions is important to ensure the optimal overall experience under the same roof from the perspective of the customer. In addition to the long-term development of the properties, Real Estate's goal is to offer customers an even broader selection of world-class brands and service concepts that best meet the expectations of Stockmann's customers and that create inspiring shopping experiences.

5

PROPERTIES

4

COUNTRIES

REVENUE / EUR mill.

60.1

59.3 (2015)

OPERATING RESULT / EUR mill.

21.1

16.3 (2015)

NET OPERATING INCOME / EUR mill.

44.4

44.9 (2015)

Own properties

FAIR VALUE
OF PROPERTIES / EUR mill.

950.1

918.2 (2015)

OCCUPANCY RATE

99.1%

98.5 (2015)



FIRST IN FINLAND

Finland's first Joe & the Juice café opened in time for Christmas at Stockmann's Helsinki city centre department store. The trendy Danish Joe & the Juice café sells fresh and healthy fruit and vegetable juices, coffees and sandwiches, which are all freshly made to order. The concept brings a new dimension to the department stores' services by offering customers a new type of experience and delicious flavours while they take a break from their shopping.

Joe & the Juice was established in 2002 in Copenhagen. The popular chain has expanded to the other Nordic countries and to numerous large cities in Europe and the USA. /

BOARD OF DIRECTORS



JUKKA HIENONEN
b. 1961
 Finnish citizen
 M.Sc.(Econ.)
 Chairman of the Board
 Professional Board member



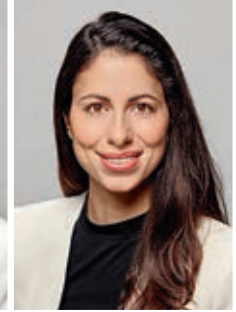
LEENA NIEMISTÖ
b. 1963
 Finnish citizen
 D.Med.Sc.
 Vice Chairman of the Board
 Professional Board member



KAJ-GUSTAF BERGH
b. 1955
 Finnish citizen
 LL.M., B.Sc.(Econ.)
 Managing Director,
 Föreningen
 Konstsamfundet



TORBORG CHETKOVICH
b. 1967
 Swedish citizen
 MBA, B.Sc.(Econ.)
 Professional Board member



SUSANNE NAJAFI
b. 1981
 Swedish citizen
 M.Sc.(Econ.)
 Investor, advisor in e-commerce



MICHAEL ROSENLEW
b. 1959
 Finnish citizen
 M.Sc.(Econ.)
 Professional Board member



PER SJÖDELL
b. 1972
 Swedish citizen
 M.Sc.(Econ.)
 Professional Board member



DAG WALLGREN
b. 1961
 Finnish citizen
 M.Sc.(Econ.)
 Managing Director,
 Svenska litteratursällskapet i Finland r.f.



PERSONNEL REPRESENTATIVES
MINNA HIRVONEN
b. 1967
 Finnish citizen
 Development Manager, ICT
 Personnel representative, elected by Stockmann's senior salaried employees



RIITA LÖWENHILD
b. 1952
 Finnish citizen
 Chief shop steward
 Personnel representative, elected by Stockmann's Group Council



READ MORE

Details as of 31 December 2016. Further information on the members of the Board of Directors and the Management Team, their remuneration and share ownership is available in the Corporate Governance review at year2016.stockmanngroup.com

MANAGEMENT TEAM



**LAURI
VEIJALAINEN**

*b. 1968
Finnish citizen
B.Sc., MBA
CEO*

**MIKKO
HUTTUNEN**

*b. 1968
Finnish citizen
M.Sc.(Econ.)
Director, Human Resources*

**INGVAR
LARSSON**

*b. 1972
Swedish citizen
M.Sc.(Econ.)
CEO, Lindex*

**NORA
MALIN**

*b. 1975
Finnish citizen
M.Sc.(Pol.)
Director, Corporate
Communications*

**JUKKA
NAULAPÄÄ**

*b. 1966
Finnish citizen
LL.M.
Director, Legal Affairs*

**PETTERI
NAULAPÄÄ**

*b. 1968
Finnish citizen
M.Sc.(Tech.)
Chief Information
Officer*



**MAIJU
NISKANEN**

*b. 1977
Finnish citizen
M.Sc.(Econ.)
Director,
Store Operations*

**SUSANNA
OTTILA**

*b. 1968
Finnish citizen
M.Sc.(Econ.)
Director, Delicatessen*

**ANNA
SALMI**

*b. 1979
Finnish citizen
M.Sc.(Econ.)
Chief Customer Officer*

**BJÖRN
TEIR**

*b. 1969
Finnish citizen
M.Sc.(Pol.)
Director, Real Estate*

**TOVE
WESTERMARCK**

*b. 1968
Finnish citizen
M.Sc.(Econ.)
Director, Supply Chain*

SHARES AND SHAREHOLDERS

The share capital of Stockmann plc is divided into Series A and Series B shares. Series A carry ten votes and Series B one vote. The par value of both series of shares is EUR 2.00 and the shares of both series entitle their holders to an equal dividend.

SHARE FACTS / 31.12.2016

LISTED ON NASDAQ HELSINKI
TRADING CODES SERIES A: STCAS SERIES B: STCBV
TOTAL AMOUNT OF SHARES SERIES A: 30 530 868 SERIES B: 41 517 815 TOTAL: 72 048 683
REGISTERED SHAREHOLDERS 49,813
MARKET CAPITALIZATION / EUR mill. 509.6

 **READ MORE**
stockmangroup.com/investors

MAJOR SHAREHOLDERS

	Percentage of shares %	Percentage of votes %	
1	HTT STC Holding Oy Ab	11.7	10.7
2	Föreningen Konstsamfundet Grouping	9.4	15.1
3	Varma Mutual Pension Insurance Company	8.5	5.1
4	Society of Swedish Literature in Finland	7.6	15.7
5	Niemistö Kari	5.8	9.4
6	Stiftelsen för Åbo Akademi	4.2	6.7
7	Etola Group	4.2	6.1
8	Ilmarinen Mutual Pension Insurance Company	2.4	1.0
9	Samfundet Folkhälsan i Svenska Finland r.f.	2.2	2.7
10	Jenny ja Antti Wihuri Foundation	1.9	2.1
11	The State Pension Fund	1.6	0.3
12	Inez och Julius Polins Fond	1.5	0.8
13	Wilhelm och Else Stockmanns Stiftelse	1.1	2.2
14	Etera Mutual Pension Insurance Company	0.9	0.2
15	Helene och Walter Grönqvists Stiftelse	0.7	1.5
16	William Thuring's Stiftelse	0.5	0.7
17	Brita Maria Renlunds minne Foundation	0.4	0.8
18	Danske Invest Finnish Institutional Equity Fund	0.4	0.1
19	OP-Finland Value Fund	0.4	0.1
20	Nordea Pro Finland Fund	0.3	0.1
	Other	34.3	18.6
	TOTAL	100.0	100.0

31 December 2016

OWNERSHIP STRUCTURE

	Number	Share-holders %	Percentage of shares %	Percentage of votes %
Households	48,486	97.3	23.2	20.8
Private and public corporations	807	1.6	20.3	20.1
Foundations and associations	316	0.6	45.5	56.1
Nominee registrations incl. foreign shareholders	170	0.4	7.5	2.2
Financial and insurance companies	34	0.1	3.5	0.8
TOTAL	49,813	100.0	100.0	100.0

31 December 2016

NUMBER OF SHARES

	Number	Share-holders %	Percentage of shares %	Percentage of votes %
1-100	32,660	65.5	1.7	0.6
101-1,000	14,296	28.7	6.7	4.7
1,001-10,000	2,628	5.3	9.0	5.9
10,001-100,000	188	0.4	7.2	3.6
100,001-1,000,000	27	0.1	11.8	12.5
1,000,001-	14	0.0	63.6	72.7
TOTAL	49,813	100.0	100.0	100.0

31 December 2016

CONTACT INFORMATION

ANNUAL GENERAL MEETING

The 2017 Annual General Meeting of the shareholders of Stockmann plc will be held on 23 March 2017 at 14:00 in the Concert Hall of Finlandia Hall, Mannerheimintie 13, Helsinki, Finland. Registration is due by 17 March 2017 at 16:00. Read more on matters related to the AGM at stockmanngroup.com:

- Notice to the AGM
- Registration for the AGM
- Proposals for the AGM

The Annual General Meeting approves the company's annual financial statements, decides on the dividend and the election of members of the Board of Directors, among other things.

IR CALENDAR IN 2017

23 March 2017

Annual General Meeting

28 April 2017

January-March interim report

16 August 2017

January-June half year report

27 October 2017

January-September interim report

Corporate Management

Stockmann plc
P.O. Box 220
(Aleksanterinkatu 52 B)
FI-00101 Helsinki, Finland
Tel. +358 9 1211

Stockmann Retail, Real Estate & Group's shared functions

Stockmann plc
P.O. Box 70 (Takomotie 1-3)
FI-00381 Helsinki, Finland
Tel. +358 9 1211

Contact information for the purchasing offices

stockmanngroup.com

Communications and CSR

Media Desk, tel. +358 50 389 0011
(9 a.m.-4 p.m. on working days)
info@stockmann.com
investor.relations@stockmann.com

stockmann.com

Customer service:
asiakaspalvelu@stockmann.com
Tel. +358 9 1211

Contact information for the department stores:

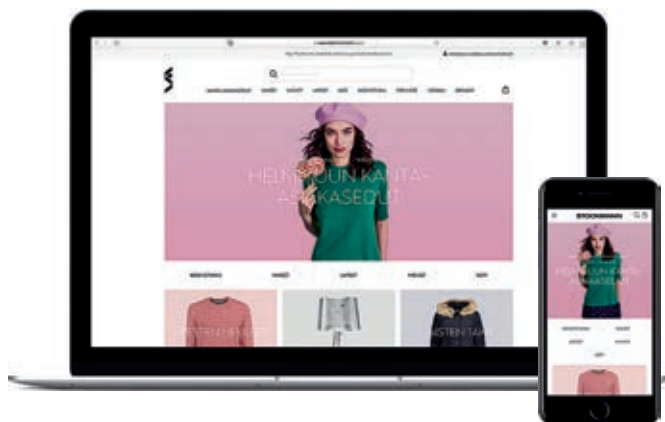
Finland: stockmann.com
Estonia: stockmann.ee
Latvia: stockmann.lv

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LINDEX

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YOUTUBE: youtube.com/lindex



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