STOCKMANN plc
Quarterly report
6.8.2008 at 12.45

STOCKMANN plc INTERIM REPORT January 1 – June 30, 2008

STOCKMANN'S OPERATING PROFIT IMPROVES SUBSTANTIALLY; INCREASED FINANCIAL EXPENSES AND THE PROVISION MADE TO COVER CLOSURE OF THE SMOLENSKAYA DEPARTMENT STORE IN MOSCOW CUT INTO EARNINGS

Stockmann's second-quarter sales were up 66 per cent to EUR 583.9 million. Compared with the same period a year ago, operating profit more than doubled in spite of the EUR 14 million provision made to cover closure of the Smolenskaya department store in Moscow and was EUR 31.4 million. In January–June, the Stockmann Group's sales grew by 50 per cent to EUR 1 081.5 million (EUR 722.4 million in 2007). Consolidated operating profit in January–June grew and was EUR 28.8 million (EUR 22.3 million). Net financial expenses grew as a consequence of the Lindex transaction, causing profit for the period to fall below the figure a year ago, to EUR 3.6 million. Earnings per share were EUR 0.06 (EUR 0.29). The Group's earnings estimate for 2008 is unchanged despite the increased uncertainty of the economic development in the Nordic and the Baltic countries. The target is that earnings in 2008 will be higher than in the previous year.

Key figures		4–6 2008	4–6 2007	1–6 2008	1–6 2007	2007
Sales	EUR mill.	583.9	350.7	1 081.5	722.4	1 668.3
Revenue	EUR mill.	483.3	294.2	896.7	605.6	1 398.2
Operating profit	EUR mill.	31.4	14.1	28.8	22.3	125.2
Profit (loss) before taxes	EUR mill.	18.1	13.3	4.3	21.4	119.4
Earnings per share	EUR	0.27	0.18	0.06	0.29	1.59
Equity per share	EUR	-	-	10.73	9.34	10.66
Cash flow from operating activities	EUR mill.	-	-	26.9	2.2	119.9
Net gearing	per cent	-	-	131.1	17.4	146.9
Equity ratio	per cent	-	-	36.3	66.7	32.6
Weighted average number of shares	thousands	-	-	55 850	55 486	55 606
Return on capital employed, rolling 12 months	per cent	-	-	12.2	16.3	12.1

SALES AND RESULT

Stockmann's consolidated sales grew by 50 per cent to EUR 1 081.5 million (EUR 722.4 million) in January–June. The bulk of the growth came from consolidating Lindex's sales figures within the Stockmann Group's sales, but the Department Store Division and Seppälä also reported higher sales.

Sales in Finland were up 9 per cent to EUR 578.5 million. The Group's sales abroad amounted to EUR 503.0 million, an increase of 164 per cent. Excluding Lindex, sales abroad grew by 14 per cent. Sales growth abroad was retarded by the closure in May of the department store located in the Smolensky Passage shopping centre in Moscow for the time being, due to the lessor's unlawful actions. International operations accounted for an increased share of consolidated sales, rising from 26 per cent to 47 per cent.

The sale of an unbuilt plot generated EUR 3.7 million of other operating income.

The Group's gross operating margin grew by EUR 173.1 million to EUR 423.1 million. The relative gross margin was 47.2 per cent (41.3 per cent). The relative gross margin of Hobby Hall and Seppälä improved, and the Group's relative gross margin was also boosted by the inclusion of Lindex's figures within the Group's consolidated accounts. Operating expenses increased by EUR 153.9 million and depreciation by EUR 16.5 million.

Earnings in the report period were burdened by EUR 1.3 million of expenses due to closure of the Smolenskaya department store, in addition to which an impairment loss on inventories of EUR 2.5 million, an EUR 5.7 million expense provision and extra depreciation of EUR 4.5 million were charged to second-quarter earnings.

In the report period, the Group's operating profit grew by EUR 6.5 million to EUR 28.8 million.

Net financial expenses grew by EUR 23.7 million and were EUR 24.6 million (EUR 0.9 million). Net financial expenses were increased for the most part by the borrowed capital costs for the Lindex acquisition.

Profit before taxes in the report period was EUR 4.3 million, down EUR 17.1 million on the figure a year earlier. Direct taxes were EUR 0.7 million, decreasing by EUR 4.3 million on the figure a year earlier. Net profit for the report period was EUR 3.6 million (EUR 16.3 million).

Second-quarter profit grew and was EUR 15.2 million (EUR 10.2 million).

Earnings per share in the report period were EUR 0.06 (EUR 0.29) and diluted for options, earnings were EUR 0.06 (EUR 0.29). Equity per share was EUR 10.73 (EUR 9.34).

SALES AND EARNINGS TREND BY BUSINESS SEGMENT

Department Store Division

The Department Store Division's sales grew by 7 per cent to EUR 582.3 million in the report period. Sales in Finland were up 4 per cent. Within international operations, sales were lifted by the good like-for-like sales growth at the department stores in Russia and the Baltic countries as well as by the new Bestseller stores, but they were reduced by the closure of the Smolenskaya department store in Moscow. International operations posted a 16 per cent increase in sales, accounting for 30 per cent of consolidated sales (28 per cent).

The relative gross margin diminished in the report period. The closure of the Smolenskaya department store is responsible for a charge to the Department Store Division's earnings of EUR 14 million. Accordingly, the

Department Store Division’s operating profit fell and was EUR 5.6 million (EUR 19.3 million).

Running the Crazy Days campaign at the department stores in Finland entirely in April instead of in March, as was done last year, resulted in a 17 per cent increase in second-quarter sales on the previous year. Owing to the costs of closing the Smolenskaya department store and the provision that was made for this, operating profit in the second quarter was EUR 4.1 million (EUR 11.5 million).

Lindex

Lindex’s sales in the report period amounted to EUR 322.1 million. Compared with the pro forma statement for the corresponding period in 2007, sales were down one per cent, owing to changes in foreign exchange rates. In local currency terms, sales grew slightly. Lindex’s operating profit was EUR 22.6 million. It was burdened by depreciation connected with the Lindex acquisition and by a non-recurring expense charge for inventories, to a total amount of EUR 5.2 million. Lindex’s operating profit in the same period a year ago was EUR 24.9 million.

Second-quarter operating profit grew and was EUR 23.8 million, compared with Lindex’s operating profit of EUR 22.8 million in the previous year.

Hobby Hall

Hobby Hall’s sales decreased by 6 per cent to EUR 95.8 million (EUR 101.7 million) in the report period. Sales declined both in Finland and abroad, but Hobby Hall’s relative gross margin increased. Hobby Hall’s operating result fell by EUR 1.9 million and was a loss of EUR 1.4 million (profit of EUR 0.5 million). The weakening in the operating result in the report period was due to lower sales and to start-up costs for operations in Russia.

Hobby Hall’s sales grew by five per cent in the second quarter and were EUR 48.3 million. The operating result was a profit of EUR 0.7 million, whereas it was in the red in the same period of last year (an operating loss of EUR 0.9 million).

Seppälä

Seppälä’s sales in the report period increased by 4 per cent on the same period of last year and were EUR 80.9 million. Sales in Finland were down 5 per cent, but showed strong growth in Russia, where they were buoyed by new stores and the good like-for-like sales trend. Sales abroad were up 26 per cent, and their share of Seppälä’s total sales rose to 33 per cent (26 per cent). The relative gross margin increased. Because new stores were opened in rapid succession, fixed costs and depreciation grew faster than the gross margin, causing Seppälä’s operating result to decrease by EUR 2.1 million to EUR 4.5 million (profit of EUR 6.6 million).

Seppälä’s second-quarter sales grew by 4 per cent to EUR 45.2 million. Operating profit was EUR 5.1 million as against EUR 5.8 million in the same period of last year.

FINANCING AND CAPITAL EMPLOYED

Liquid assets totalled EUR 23.8 million at the end of June, as against EUR 20.2 million a year earlier and EUR 33.2 million at the end of 2007.

Interest-bearing liabilities at the end of June were EUR 886.7 million (110.6 million), of which EUR 759.8 million consisted of long-term borrowings (30.2 million). At the end of 2007, interest-bearing liabilities totalled EUR 905.6 million, of which EUR 855.4 million was long-term debt. In June, Stockmann carried out an EUR 137.4 million share issue targeted at institutional investors. The proceeds of the share issue were used to repay part of the long-term loan which Stockmann raised when it acquired AB Lindex (publ). Capital expenditures in the report period amounted to EUR 76.5 million. Net working capital amounted to EUR 184.8 million at the end of June, as against EUR 224.8 million a year earlier and EUR 193.9 million at the end of 2007. Dividend payouts totalled EUR 75.2 million.

Owing to the acquisition of Lindex, the equity ratio weakened against the comparative period and was 36.3 per cent at the end of June (66.7 per cent). The equity ratio at the end of 2007 was 32.6 per cent. Net gearing was 131.1 per cent (17.4 per cent) at the end of June. At the end of 2007, net gearing was 146.9 per cent.

The return on capital employed over the past 12 months was 12.2 per cent (12.1 per cent at the end of 2007). The Group's capital employed increased by EUR 913.9 million from June of the previous year and stood at EUR 1 544.8 million towards the end of the report period (EUR 1 499.4 million at the end of 2007).

LINDEX ACQUISITION

In May, the Gothenburg Administrative Court of Appeal overturned the affirmative decisions which Lindex had received in the County Administrative Court concerning the deductibility in Sweden's taxation in the years 2004/2005 and 2005/2006 of the approximately EUR 70 million of losses made by the Lindex Group's company in Germany. Lindex will appeal the ruling of the Administrative Court of Appeal to the Supreme Administrative Court. In accordance with the decision of the Administrative Court of Appeal, Lindex must return about EUR 22.3 million of taxes and interest to the tax office. An adjustment has been made to the preliminary calculation which was prepared in 2007 for the Lindex acquisition. As a result of the adjustment, the tax with interest which is to be repaid will increase the Group's goodwill by EUR 22.3 million, and the amount will have no effect on the Group's earnings.

NEW LONG-TERM FINANCIAL TARGETS

At its strategy meeting held on June 18, 2008, Stockmann's Board of Directors confirmed the Stockmann Group's strategic guidelines for the next five years and the financial targets for the same period. During the strategy period, the Group will continue to strengthen its profitable growth both in Finland as well as in its present and new market areas outside Finland. The purchase of Lindex towards the end of 2007 brought the Group a strong new market area in Sweden and Norway, thereby enabling the rapid expansion of Lindex's operations to new market areas, especially in Russia. The integration of Lindex into the Stockmann Group has moved ahead well. The Board of Directors estimates that the advantages of scale resulting from the Lindex integration will rise to about 12–15 million euros a year over the next two to three years. The bulk of this will come from an improved gross margin Group-wide by leveraging Lindex’s Far East purchasing office network for the needs of the entire Group.

The Stockmann Group’s long-term targets were last confirmed in 2006, prior to the Lindex acquisition. The revised target for the Group is to achieve, in all its market areas, annual growth that is faster than the market average as well as to reach a 12 per cent operating profit margin and a 20 per cent return on capital employed by the end of the strategy period in 2013. Owing to the Group’s large-scale capital expenditure programme, the return on capital employed in the initial stage of the period will be lower than in previous years.

The Lindex acquisition, which originally was made entirely with debt financing, changed the Group’s capital structure significantly. The strategic target is an equity ratio of at least 40 per cent.

The company’s dividend policy remains unchanged in spite of strong growth and the energetic capital expenditure programme. The dividend policy is to pay out a dividend that is more than half of the profit derived from mainline operations.

CAPITAL EXPENDITURES

Capital expenditures during the report period totalled EUR 76.5 million (EUR 63.9 million).

Department Store Division

The major enlargement and transformation project at the department store in the centre of Helsinki saw the first approximately 500 square metres of completely new space go into use at the beginning of May. The project involves expanding the department store’s commercial premises by about 10 000 square metres by converting existing premises to commercial use and by building new retail space. In addition, new goods handling, servicing and customer parking areas will be built. After the enlargement, the Helsinki department store will have a total of about 50 000 square metres of retail space. The cost estimate for the enlargement is about EUR 190 million. The works are estimated to be completed phase by phase by autumn 2010. During the report period, the project required an investment of about EUR 28.9 million. The department store’s present retail space already clearly exceeds the level prior to the enlargement project, and in the months ahead, new space will become available stage by stage. Stockmann has succeeded in carrying out the extensive project without disrupting the department store’s profitability.

In 2006, Stockmann purchased a 10 000-odd square metre commercial plot on Nevsky Prospect, St Petersburg’s high street. The plot is located next to the Vosstaniya Square metro station, in the immediate vicinity of the Moscow railway station. On this plot, Stockmann will erect the Nevsky Centre shopping centre that will have about 100 000 square metres of gross floor space, of which about 50 000 square metres will be store and office space. A full-scale Stockmann department store with about 20 000 square metres of retail space has been planned for the shopping centre, along with other retail stores, office premises and an underground car park. The total investment is estimated at about EUR 170 million. The final construction permit was obtained at the beginning of March, and the project is in the actual construction phase. According to the target schedule, the building will be completed by the end of 2009. During the report period, the project required an investment of about EUR 10.2 million.

Stockmann opened a new Nike store in Russia in March. Stockmann now has a total of six Nike stores in Russia.

Stockmann's credit line Loyal Customer Card was relaunched in Finland as an international MasterCard as from April. In Latvia, where Stockmann has not previously had any Loyal Customer credit card, the new cards will be introduced towards the end of 2008, and they will go into use in Estonia in early 2009. The new card offerings will be based on an agreement between Stockmann and Nordea concerning transfer of the financing of Loyal Customer accounts to Nordea. This transfer of accounts will lighten Stockmann's balance sheet by about EUR 65 million. In Russia, a Stockmann Loyal Customer MasterCard credit card was brought out in the market in March in cooperation with Citibank. Stockmann has a total of about 1.5 million Loyal Customers in Finland, Russia and the Baltic countries. All in all, there are more than 600 000 accounts with a credit facility in Finland and Estonia.

The Department Store Division's capital expenditures came to EUR 57.2 million.

Lindex

Lindex's expenditures amounted to EUR 14.9 million and went for new store openings and refurbishments as well as for the new distribution centre in Gothenburg, which was placed in use at the turn of the year and has operated at full capacity since the spring.

During the report period, Lindex opened two stores in Sweden and Norway as well as one each in Estonia, Lithuania and the Czech Republic. One store was closed in Sweden.

Hobby Hall

Hobby Hall's capital expenditures totalled EUR 1.0 million.

Seppälä

In the report period, Seppälä opened two stores in Russia, two in Finland and one each in Lithuania and Estonia. In addition, five stores in Finland were refurbished according to the new store concept and moved to better commercial locations and the flagship store in Helsinki's Forum shopping centre was reopened with a new look. One store in Finland was closed.

Seppälä's capital expenditures totalled EUR 2.8 million.

Other capital expenditures

The Group's other capital expenditures came to EUR 0.5 million.

NEW PROJECTS

Department Store Division

Stockmann will open its fifth department store in Moscow in leased premises in the Metropolis shopping centre that is being built right near the city's centre. The department store will have a total of about 8 000 square metres of floor space, and Stockmann's investment in the project will be about EUR 12 million. Stockmann's objective is to open the department store in October 2008.

Stockmann has also made an agreement on opening a full-scale department store in leased premises located in a shopping centre that is currently being built in Ekaterinburg, Russia. The department store will have a total of more than 8 000 square metres of retail space, and Stockmann's investment in the project will be about EUR 12 million. According to plans, the department store will be opened in autumn 2009.

At the beginning of 2008, Stockmann signed a preliminary agreement on opening a sixth Stockmann department store in Moscow in leased premises. The department store, which will be located in the Rostokino shopping centre that is under construction on the north side of Moscow, will have about 10 000 square metres of retail space, and Stockmann's investment in it will be about EUR 16 million. According to preliminary plans, the shopping centre will be completed at the end of 2009.

In March, Stockmann signed a preliminary lease agreement for a department store in a shopping centre that will be located in a new multifunctional centre near the centre of Vilnius, Lithuania's capital city. The shopping centre will be completed towards the end of 2010. The Stockmann department store, with a total floor area of about 13 000 square metres, will be one of the shopping centre's anchor tenants.

The Department Store Division is continuing to establish new Stockmann Beauty stores in Finland and to build out the chain of Nike and Bestseller stores in Russia.

Lindex

Lindex will open its first store in Russia in St Petersburg in August 2008. The objective is to open more stores in Russia in the latter part of the year. In addition, agreements have been made on opening three stores in Norway towards the end of the year as well as two stores in Finland and one store in Sweden. The aim is to open more stores in the Baltic countries too this year.

Lindex has signed a franchising agreement with Delta International Establishment on expanding its chain of stores to the Middle East under a franchising arrangement. The franchising partner will carry out the store investments, hire the staff and be responsible for the entire retail sales operations. The first store is to be opened in Saudi Arabia in September 2008, and by the end of the year, six more stores will be opened there. Over a five-year period, the aim is to open a total of 50 stores in Saudi Arabia, Kuwait, the United Arab Emirates and Egypt.

Lindex is seeking to open 20–25 new stores a year during 2008–2009, half of them in the Nordic countries and half in new market areas.

Hobby Hall

An upgraded cash register system and telephone system, which will contribute to improving Hobby Hall's customer service, will go into use in the autumn. Hobby Hall's revamped online store will be tested during the summer and it will be up and running after the tests have been completed.

In the early autumn, Hobby Hall's head office will move into leased premises in a new office building in Helsinki's Käpylä district.

Seppälä

According to plans, Seppälä and the Stockmann Group will again expand their operations to a new country with the opening in September of Seppälä's first store in Ukraine. Seppälä will still open 11 new stores within this year; five new stores in Russia, three in Finland, two in Estonia and one in Latvia.

SHARES AND SHARE CAPITAL

The company's market capitalization at the end of June was EUR 1 511.4 million (EUR 1 776.8 million). At the end of 2007 the market capitalization was EUR 1 659.8 million.

Stockmann's share prices outperformed both the OMX Helsinki index and the OMX Helsinki Cap index during the report period. At the end of June the stock exchange price of the Series A share was EUR 24.42, compared with EUR 29.50 at the end of 2007, and the Series B share was selling at EUR 24.55, as against EUR 29.66 at the end of 2007.

A total of 364 Stockmann plc Series B shares were subscribed for with Stockmann Loyal Customer share options in May. The shares were entered in the Trade Register on June 26, 2008, and they became available for public trading, together with the existing shares, on OMX Nordic Exchange Helsinki on June 27, 2008. As a consequence of the subscriptions, the share capital was increased EUR 728.

The 2008 Annual General Meeting authorized the Board of Directors of the company to decide on the issuance of shares and special rights entitling holders to shares, as referred to in Chapter 10, Section 1, of the Limited Liability Companies Act, in one or more instalments. The Board of Directors was authorized to decide on the amount of A Series and B Series shares to be issued. However, the aggregate number of shares issued on the basis of the authorization may not exceed 15 000 000 shares. Issuance of shares and special rights entitling holders to shares can be carried out in accordance with or in disapplication of the shareholders' pre-emptive rights (directed issue). The Board of Directors is authorized to decide on all the terms and conditions concerning the issue of shares and special rights referred to in Chapter 10, Section 1, of the Limited Liability Companies Act. The authorization will be valid for up to three years.

In accordance with the authorization granted by the Annual General Meeting, the Board of Directors decided on a directed share issue of 5 609 360 new shares, which was carried out on June 23, 2008. In the share issue, subscriptions were made for 2 456 424 Stockmann plc Series A shares and 3 152 936 Stockmann plc Series B shares. Of the Series A shares subscribed for, 438 618 were converted to Series B shares. As a consequence of the share subscriptions and conversions, 2 017 806 Series A shares and 3 591 554 Series B shares were entered in the Trade Register on

June 27, 2008, and they were made available for public trading on the OMX Nordic Exchange in Helsinki, together with old shares, on June 27, 2008.

Following the above-mentioned registrations, Stockmann's share capital increased to EUR 123 406 672. At June 30, 2008, Stockmann had 26 582 049 Series A shares and 35 121 287 Series B shares.

Stockmann held 364 321 of its own Series B shares (treasury shares) at the end of June 2008. They comprised 0.6 per cent of all the shares outstanding and 0.1 per cent of all the votes. The shares were bought back at a total price of EUR 5.5 million.

The Annual General Meeting in 2007 authorized the Board of Directors to decide on the transfer of the company's own Series B shares in one or more instalments. The authorization will be in force for five years. The company's Board of Directors does not have valid authorizations to buy back treasury shares.

NUMBER OF EMPLOYEES

During the report period, the Stockmann Group had an average payroll of 15 637 employees, or 5 202 more than in the comparison period. The increase in the number of employees was attributable in large part to the acquisition of Lindex in December. In addition, there was steady growth in the number of staff employed at the department stores and other stores in Finland and abroad. Stockmann's average number of employees, converted to full-time staff, increased by 3 444 and was 11 811.

At the end of June 2008 the number of staff working abroad was 8 313 people. At the end of June of last year Stockmann had 3 976 people working abroad. The proportion of the total personnel who were working abroad was 53 per cent (37 per cent).

RISK FACTORS

The quarterly report released on April 24, 2008, outlined the risks relating to the dispute regarding the validity of the leasehold on the Smolenskaya department store and the appeals that have been lodged concerning the tax deductibility of the loss made by the Lindex Group's company in Germany, and the present stage of these issues has been discussed in this interim report. A new risk factor that has emerged is the rise in construction costs, coupled with rapidly accelerating inflation. In other respects, there has been no change in risk factors after the publication on February 7, 2008, of the discussion presented in the Board Report on Operations.

Lindex has pending legal proceedings in Germany concerning taxation there in 2004–2006. The value of the rectification claim made by Lindex concerning the assessment on the basis of estimated net income is about EUR 32 million. The tax effect of this claim has not been recorded in earnings.

Stockmann has initiated legal proceedings against the landlords of the Smolenskaya department store in the International Commercial Arbitration Court (ICAC) in Moscow, whereby it is claiming damages of about USD 75 million due to the unlawful closure of the department store.

FULL-YEAR OUTLOOK

Of late, uncertainty has increased greatly in the world economy as well as in the financial and equity markets. Inflation has gathered pace, mainly in step with the rising prices of energy and food. Of the Stockmann Group's market areas, the weakening in consumer confidence in the Nordic countries and the Baltic area has been reflected to some degree as a slowdown in consumption demand. By contrast, the growth of Russia's economy and consumption demand has continued ahead. According to estimates, consumption demand will grow further, but at a slower pace than in the first part of the year, in the Nordic countries and the Baltic area. In Russia, growth will be faster than in these markets.

Lindex will be part of the Stockmann Group for all of 2008. This means a strong increase in the Group's sales. Consolidated sales are estimated to be almost EUR 2.4 billion in 2008 if Stockmann does not succeed in reopening the Smolenskaya department store in Moscow, which was closed in May owing to the above-discussed rental dispute.

Third-quarter operating profit is estimated to improve on the figure a year ago. Full-year sales and earnings will be affected substantially by the trend in consumption demand in the latter part of the year. The operating profit for 2008 is expected to improve. Although Stockmann's financial expenses following the Lindex acquisition will increase markedly, the Group reiterates its target of posting higher profit in 2008 than in the previous year.

ACCOUNTING POLICIES

The quarterly report has been prepared in compliance with IAS 34. The accounting policies and calculation methods applied are the same as those in the 2007 financial statements. The figures are unaudited.

Balance sheet, Group EUR millions	30.6.08	30.6.07	31.12.07
ASSETS			
Non-current assets			
Intangible assets (Ref. 1.2)	865.5	11.2	844.5
Property, plant and equipment (Ref.1.2)	516.1	392.0	476.8
Available-for-sale investments	6.6	6.5	6.5
Non-current receivables	1.7		1.7
Deferred tax assets	5.3	2.5	5.3
Non-current assets, total	1 395.3	412.1	1 334.8
Current assets			
Inventories	231.6	156.2	244.4
Receivables, interest-bearing	63.4	98.5	98.8
Receivables, non interest-bearing	100.6	93.5	112.5
Cash and cash equivalents	23.8	20.2	33.2
Current assets, total	419.4	368.5	488.9
Assets, total	1 814.6	780.6	1 823.7
EQUITY AND LIABILITIES			
Equity	658.1	520.3	593.8
Minority interest	0.0	0.0	0.0
Equity, total	658.1	520.3	593.8
Non-current liabilities, interest-bearing	759.8	30.2	855.4
Reserves	2.5		5.3
Non-current liabilities, total	762.3	30.2	860.7
Deferred taxes liabilities	56.6	26.2	57.3
Current liabilities			
Current liabilities, interest-bearing	126.9	80.4	50.1
Current liabilities, non interest-bearing	210.8	123.5	261.7
Current liabilities, total	337.7	203.8	311.8
Equity and liabilities, total	1 814.6	780.6	1 823.7

Equity ratio, per cent	36.3	66.7	32.6
Net gearing, per cent	131.1	17.4	146.9
Cash flow from operations per share, EUR	0.48	0.04	2.16
Interest-bearing net debt, EUR mill.	799.5	-8.1	773.6
Number of shares at June 30, thousands	61 703	56 094	56 094
Weighted average number of shares, thousands	55 850	55 486	55 606
Weighted average number of shares, diluted, thousands	55 850	55 752	55 815
Market capitalization, EUR mill.	1 511.4	1 776.8	1 659.8

Equity ratio, per cent = 100 x (Equity + minority interest) / Total assets less advance payments received

Net gearing, per cent = 100 x Interest-bearing net financial liabilities / Equity total

Interest-bearing net debt = Interest-bearing liabilities less cash and cash equivalents less interest-bearing liabilities

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

Cash flow statement, Group EUR millions	1-6/2008	1-6/2007	1-12/2007

Cash flows from operating activities			
Net profit for the financial year	3.6	16.3	88.4
Adjustments:			
Deprecation	34.0	17.5	36.9
Profit (-) and loss (+) from sales of non-current assets	-3.7		
Financial expenses	25.1	1.5	7.0
Financial income	-0.5	-0.6	-1.3
Taxes paid	0.7	5.0	31.1
Other adjustments	3.6	1.3	1.2
Changes in working capital:			
Change in trade and other receivables	64.2	0.4	-11.0
Change in inventories	6.1	-1.2	-12.5
Change in trade payables and other liabilities	-46.2	-26.3	8.8
Interest paid	-27.3	-0.8	-6.5
Interest received	0.2	0.5	1.3
Income taxes paid	-32.9	-11.6	-23.5
Net cash from operating activities	26.9	2.2	119.9
Cash flows from investing activities			
Investments in tangible and intangible assets	-80.7	-62.2	-113.2
Acquisition of subsidiary net cash acquired	-8.3		-852.5
Capital expenditures on other investments	-0.2		
Cash from tangible assets	5.5		
Dividends received	0.1	0.1	0.1
Net cash used in investing activities	-83.6	-62.1	-965.6
Cash flows from financing activities			
Proceeds from issue of share capital	135.5	5.8	5.8
Change in short-term loans, increase (+), decrease (-)	70.5	67.3	35.5
Long-term loans, increase (+), decrease (-)	-93.0	20.0	835.6
Dividends paid	-75.2	-72.1	-72.1
Net cash used in financing activities	37.8	21.0	804.8
Change in cash and cash equivalents	-18.8	-38.9	-40.9
Cash and cash equivalents at start of the period	33.2	59.2	59.2
Translation differences in cash and cash equivalents	0.1		0.4
Cheque account on credit at start of the period	-14.6		
Cash and cash equivalents	23.8	59.2	33.2
Cheque account on credit at the end of the period	-23.7		-14.6
Cash and cash equivalents at end of the period	0.1	20.2	18.6

Income statement, Group, EUR millions	1-6/2008	1-6/2007	Change per cent	1-12/2007
Revenue	896.7	605.6	48	1 398.2
Other operating income	3.7			9.7

Materials and consumables	-473.6	-355.6	33	-791.2
Wages, salaries and employee benefits expenses	-175.3	-103.3	70	-224.1
Depreciation	-34.0	-17.5	94	-36.9
Other operating expenses	-188.8	-106.9	77	-230.6
Operating profit (loss)	28.8	22.3	29	125.2
Finance income and expenses	-24.6	-0.9		-5.7
Profit (loss) before tax	4.3	21.4	-80	119.4
Income taxes	-0.7	-5.0		-31.1
Profit (loss) for the period	3.6	16.3	-78	88.4
Earnings per share, EUR	0.06	0.29		1.59
Earnings per share, diluted, EUR	0.06	0.29		1.58
Operating profit, per cent	3.2	3.7		9.0
Equity per share, EUR	10.73	9.34	15	10.66
Return on equity, per cent, moving 12 months	12.9	13.6	-5	15.2
Return on capital employed, per cent, moving 12 months	12.2	16.3	-25	12.1
Average number of employees, converted to full-time staff	11 811	8 367	41	8 979
Investments	76.5	63.9	20	977.4

Earnings per share = (Profit before taxes - minority interest - income taxes) / Average number of shares, adjusted for share issues

Return on equity, per cent, moving 12 months = 100 x Profit for the period (12 months) / (Equity + minority interest) (average over 12 months)

Return on capital employed, per cent, moving 12 months = 100 x (Profit before taxes + interest and other financial expenses) (12 months) / Capital employed (average over 12 months)

SEGMENT INFORMATION

Segments

Sales, EUR millions	1-6/2008	1-6/2007	Change per cent	1-12/2007
Department Store Division	582.3	542.2	7	1 218.1
Lindex	322.1			68.1
Hobby Hall	95.8	101.7	-6	206.5
Seppälä	80.9	78.1	4	174.7
Shared	0.4	0.4	-6	0.8
Group	1 081.5	722.4	50	1 668.3

Revenue, EUR millions	1-6/2008	1-6/2007	Change per cent	1-12/2007
Department Store Division	490.0	455.9	7	1 025.0
Lindex	258.6			54.7
Hobby Hall	80.0	84.4	-5	171.7
Seppälä	67.3	64.8	4	145.1
Shared	0.8	0.5		1.7
Group	896.7	605.6	48	1 398.2

Operating profit (loss), EUR	1-6/2008	1-6/2007	Change	1-12/2007

millions			per cent	
Department Store Division	5.6	19.3	-71	91.8
Lindex	22.6			15.0
Hobby Hall	-1.4	0.5	-372	5.7
Seppälä	4.5	6.6	-32	20.7
Shared	-2.0	-4.0	-49	-7.5
Eliminations	-0.4	-0.2		-0.7
Group	28.8	22.3	29	125.2

Investments, gross, EUR millions	30.6.2008	30.6.2007	Change per cent	31.12.2007
Department Store Division	57.2	56.6	1	111.5
Lindex	14.9			853.1
Hobby Hall	1.0	1.4	-27	3.5
Seppälä	2.8	5.6	-49	9.3
Shared	0.5	0.3	87	
Group	76.5	63.9	20	977.4

Assets, EUR millions	30.6.2008	30.6.2007	Change per cent	31.12.2007
Department Store Division	623.9	594.6	5	652.4
Lindex	1 012.6			992.9
Hobby Hall	94.3	107.7	-12	102.7
Seppälä	44.0	40.3	9	44.7
Shared	39.8	38.1	5	30.9
Group	1 814.6	780.6	132	1 823.7

Non-interest-bearing liabilities, EUR millions	30.6.2008	30.6.2007	Change per cent	31.12.2007
Department Store Division	78.1	89.9	-13	125.9
Lindex	100.0			100.8
Hobby Hall	15.0	21.2	-29	14.5
Seppälä	6.9	9.3	-25	11.5
Shared	69.8	29.3		71.7
Group	269.9	149.7	80	324.3

Market areas

Sales, EUR millions	1-6/2008	1-6/2007	Change per cent	1-12/2007
Finland 1)	578.5	531.8	9	1 171.5
Sweden and Norway 2)	277.3			59.5
Baltic states and Czech Republic 1)	102.1	88.5	15	194.1
Russia 3)	123.6	102.1	21	243.2
Group	1 081.5	722.4	50	1 668.3
Finland, per cent	53.5	73.6		70.2
International operations, per cent	46.5	26.4		29.8

Revenue, EUR millions	1-6/2008	1-6/2007	Change per cent	1-12/2007
Finland 1)	482.6	443.1	9	977.6
Sweden and Norway 2)	221.8			47.5
Baltic states and Czech Republic 1)	86.8	75.2	15	165.0

Russia 3)	105.6	87.3	21	208.0
Group	896.7	605.6	48	1 398.2
Finland, per cent	53.8	73.2		69.9
International operations, per cent	46.2	26.8		30.1

Operating profit (loss), EUR millions	1-6/2008	1-6/2007	Change per cent	1-12/2007
Finland 1)	24.6	24.3	1	96.3
Sweden and Norway 2)	22.9			14.4
Baltic states and Czech Republic 1)	3.9	7.0	-44	21.1
Russia 3)	-22.6	-9.0	150	-6.6
Group	28.8	22.3	29	125.2
Finland, per cent	85.4	109.1		76.9
International operations, per cent	14.6	-9.1		23.1

Investments, gross, EUR millions	30.6.2008	30.6.2007	Change per cent	31.12.2007
Finland 1)	45.5	33.5	36	80.2
Sweden and Norway 2)	12.2			847.0
Baltic states and Czech Republic 1)	3.1	1.2	153	5.1
Russia 3)	15.7	29.2	-46	45.0
Group	76.5	63.9	20	977.4
Finland, per cent	59.5	52.4		8.2
International operations, per cent	40.5	47.6		91.8

Assets, EUR millions	30.6.2008	30.6.2007	Change per cent	31.12.2007
Finland 1)	571.4	535.6	7	585.2
Sweden and Norway 2)	994.0			975.7
Baltic states and Czech Republic 1)	72.3	72.9	-1	75.8
Russia 3)	176.9	172.1	3	187.0
Group	1 814.6	780.6	132	1 823.7
Finland, per cent	31.5	68.6		32.1
International operations, per cent	68.5	31.4		67.9

1) Department Store Division, Lindex, Hobby Hall and Seppälä
2) Lindex
3) Department Store Division, Hobby Hall and Seppälä

Statement of changes in equity Group, EUR millions	Equity*	Share premium fund	Legal reserve
Equity December 31, 2006	111,7	183,4	44,1
Options exercised	0,5	2,6	

Share bonus		0,2	
Transfer to other funds			0,0
Cost of share issue			
Dividends			
Translation differences			
Profit for the period			
Equity June 30, 2007	112.2	186.2	44.1
Equity December 31, 2007	112.2	186.0	44.1
Options exercised	0.0		
Rights issue	11.2		
Share bonus			
Cash flow hedges			
Cost of share issue			
Dividends			
Translation differences			-0.2
Profit for the period			
Equity June 30, 2008	123.4	186.0	43.9

* including share issue

Statement of changes in equity Group, EUR millions	Fair value reserve**	Reserve for invested unrestricted equity	Translatioo n reserve
Equity December 31, 2006	0,0	0,0	0,0
Options exercised			
Share bonus			
Transfer to other funds			
Cost of share issue			
Dividends			
Translation differences			0,0
Profit for the period			
Equity June 30, 2007	0.0	0.0	0.1
Equity December 31, 2007	0.5	0.0	0.0
Options exercised			
Rights issue		124.3	
Share bonus			
Cash flow hedges	-0.2		
Cost of share issue			
Dividends			
Translation differences	-0.1		-0.1
Profit for the period			
Equity June 30, 2008	0.2	124.3	-0.1

** excluding deferred tax liability

Statement of changes in equity Group, EUR millions	Retained earnings	Total	Minority interest	Total
Equity December 31, 2006	232,3	571,6	0,0	571,6
Options exercised		3,1		3,1
Share bonus	0,2	0,4		0,4
Transfer to other funds		0,0		0,0
Cost of share issue	0,9	0,9		0,9
Dividends	-72,1	-72,1		-72,1
Translation differences	0,0	0,0		0,0
Profit for the period	16,3	16,3	0,0	16,3

Equity June 30, 2007	177.7	520.3	0.0	520.3
Equity December 31, 2007	250.9	593.8	0.0	593.8
Options exercised		0.0		0.0
Rights issue		135.5		135.5
Share bonus	0.1	0.1		0.1
Cash flow hedges		-0.2		-0.2
Cost of share issue	0.8	0.8		0.8
Dividends	-75.2	-75.2		-75.2
Translation differences		-0.4		-0.4
Profit for the period	3.6	3.6	0.0	3.6
Equity June 30, 2008	180.3	658.1	0.0	658.1

Contingent liabilities, Group EUR millions	30.6.2008	30.6.2007	31.12.2007
Mortgages on land and buildings	1.7	1.7	1.7
Guarantees		1.5	
Pledges			0.1
Total	1.7	3.2	1.8

Lease agreements on business premises, EUR millions	30.6.2008	30.6.2007	31.12.2007
Minimum rents payable on the basis of binding lease agreements on business premises			
Within one year	96.7	68.3	124.6
After one year	466.8	337.8	449.3
Total	563.5	406.1	573.8

Lease payments	30.6.2008	30.6.2007	31.12.2007
Within one year	1.3	1.0	1.4
After one year	1.1	1.0	1.3
Total	2.4	2.0	2.8

Derivative contracts	30.6.2008	30.6.2007	31.12.2007
Nominal value			
Currency derivatives	325.5		67.8
Electricity derivatives	3.2		1.5
Total	328.7		69.3

Exchange rates

Country	Currency	30.6.2008	30.6.2007	31.12.2007
Russia	RUB	36.9477	34.8070	35.9860
Estonia	EEK	15.6466	15.6466	15.6466
Latvia	LVL	0.7047	0.6963	0.6964
Lithuania	LTL	3.4528	3.4528	3.4528
Sweden	SEK	9.4703		9.4415

Income statement quarterly, Group, EUR millions	Q2 2008	Q1 2008	Q4 2007	Q3 2007
Continuing operations				
Revenue	483.3	413.4	483.9	308.6
Other operating income	-0.1	3.8	0.0	9.7
Materials and consumables	-242.6	-231.0	-255.8	-179.8
Wages, salaries and employee benefits expenses	-90.2	-85.1	-73.2	-47.6
Depreciation	-18.7	-15.2	-10.5	-8.9
Other operating expenses	-100.3	-88.5	-73.7	-50.0
Operating profit (loss)	31.4	-2.5	70.8	32.1
Finance income and expenses	-13.3	-11.3	-4.3	-0.5
Profit (loss) before tax	18.1	-13.8	66.5	31.6
Income taxes	-2.9	2.2	-17.9	-8.1
Profit (loss) for the period, continuing operations	15.2	-11.6	48.6	23.5
Discontinued operations				
Profit (loss) for the period, discontinued operations				
Profit (loss) for the period	15.2	-11.6	48.6	23.5
Earnings per share, continuing operations, EUR				
Basic	0.27	-0.21	0.87	0.43
Diluted	0.27	-0.21	0.87	0.42
Earnings per share, discontinued operations, EUR				
Basic				
Diluted				
Earnings per share, total, EUR				
Basic	0.27	-0.21	0.87	0.43
Diluted	0.27	-0.21	0.87	0.42

Sales, EUR millions	Q2 2008	Q1 2008	Q4 2007	Q3 2007
Department Store Division	306.4	275.9	400.4	275.5
Lindex	183.8	138.3	68.1	
Hobby Hall	48.3	47.4	58.9	45.9
Seppälä	45.2	35.7	51.2	45.4
Shared	0.2	0.2	0.2	0.2
Group	583.9	497.5	578.8	367.0
Revenue, EUR millions				
Department Store Division	257.3	232.7	336.9	232.2
Lindex	147.6	111.0	54.7	
Hobby Hall	40.4	39.7	49.2	38.2
Seppälä	37.6	29.7	42.5	37.8
Shared	0.4	0.4	0.7	0.5
Group	483.3	413.4	483.9	308.6

Operating profit, EUR millions				
Department Store Division	4.1	1.5	46.9	25.7
Lindex	23.8	-1.2	15.0	
Hobby Hall	0.7	-2.1	2.7	2.5
Seppälä	5.1	-0.6	8.6	5.5
Shared	-2.2	0.2	-2.4	-1.1
Eliminations	0.0	-0.3	0.0	-0.5
Group	31.4	-2.5	70.8	32.1

Income statement quarterly, Group, EUR millions	Q2 2007	Q1 2007	Q4 2006	Q3 2006
Continuing operations				
Revenue	294.2	311.4	389.6	281.1
Other operating income			0.4	0.0
Materials and consumables	-164.0	-191.6	-215.6	-166.1
Wages, salaries and employee benefits expenses	-52.6	-50.8	-57.9	-44.2
Depreciation	-8.4	-9.1	-7.9	-7.9
Other operating expenses	-55.1	-51.7	-58.1	-43.0
Operating profit (loss)	14.1	8.2	50.5	19.8
Finance income and expenses	-0.8	-0.2	-0.5	0.5
Profit (loss) before tax	13.3	8.0	50.1	20.4
Income taxes	-3.2	-1.9	-12.3	-5.0
Profit (loss) for the period, continuing operations	10.2	6.1	37.8	15.4
Discontinued operations				
Profit (loss) for the period, discontinued operations				
Profit (loss) for the period	10.2	6.1	37.8	15.4
Earnings per share, continuing operations, EUR				
Basic	0.18	0.11	0.70	0.29
Diluted	0.18	0.11	0.69	0.28
Earnings per share, discontinued operations, EUR				
Basic				-0.01
Diluted			-0.01	
Earnings per share, total, EUR				
Basic	0.18	0.11	0.70	0.28
Diluted	0.18	0.11	0.68	0.28

Sales, EUR millions	Q2 2007	Q1 2007	Q4 2006	Q3 2006
Department Store Division	261.0	281.2	363.4	249.0
Lindex				

Hobby Hall	46.0	55.6	55.5	45.5
Seppälä	43.5	34.6	45.3	40.2
Shared	0.2	0.2	0.2	0.2
Group	350.7	371.7	464.4	334.9
Revenue, EUR millions				
Lindex	219.6	236.3	305.5	209.8
Department Store Division				
Hobby Hall	38.1	46.2	46.1	37.8
Seppälä	36.1	28.7	37.5	33.2
Shared	0.4	0.1	0.5	0.2
Group	294.2	311.4	389.6	281.1
Operating profit, EUR millions				
Department Store Division	11.5	7.8	44.3	13.1
Lindex				
Hobby Hall	-0.9	1.5	3.4	2.1
Seppälä	5.8	0.8	7.3	5.4
Shared	-2.1	-1.8	-3.8	-0.9
Eliminations	-0.1	0.0	-0.6	0.1
Group	14.1	8.2	50.6	19.8

1. ASSETS

EUR mill.	30.6.2008	30.6.2007	31.12.2007
Acquisition cost Jan. 1	813.8	551.7	551.7
Translation difference +/-	-0.8	-0.7	0.0
Aquisitions through business combinations (investment) (+)	0.0		154.7
Translation difference +/-			-0.2
Increases Jan. 1-June 30	76.2	63.9	125.9
Decreases Jan. 1-June 30	-2.3	-1.1	-18.4
Acquisition cost June 30/Dec. 31	886.9	613.9	813.8
Accumulated depreciation Jan. 1	212.5	193.2	193.2
Translation difference +/-	-0.2	0.3	0.0
Depreciation on reductions	-0.6	-0.3	-17.6
Depreciation for the financial year	34.0	17.5	36.9
Accumulated depreciation June 30/Dec. 31	245.6	210.8	212.5
Book value Jan. 1	601.3	358.5	358.5
Book value June 30/Dec. 31	641.3	403.1	601.3

Goodwill

EUR mill.	30.6.2008	30.6.2007	31.12.2007
Acquisition cost Jan. 1	720.0		
Aquisitions through business combinations (investment) (+)			721.7
Translation difference +/-	-2.2		-1.7
Increases Jan.1-June 30	22.5		
Acquisition cost June 30/Dec. 31	740.3		720.0
Book value Jan 1.	720.0		
Book value June 30/Dec. 31	740.3		720.0
Total	1 381.6	403.1	1 321.3

2. ACQIORED OPERATIONS, 2007

Lindex acquisition, precision of

preliminary acquisition cost in
30.6.2008
Acquired companies

Milj. euroa	Carrying amounts before business combination	Fair values recognized in business combination	Carrying amounts after business combination
Intangible assets			
Trademarks	18.4	78.2	96.6
Rights over leased premises	0.0		0.0
Customer relationships		2.4	2.4
Supplier relationships		4.3	4.3
EDP software	10.3		10.3
Goodwill	7.6	-7.6	0.0
Property, plant and equipment	41.1		41.1
Other fiancial assets	2.6		2.6
Deferred tax assets	3.0		3.0
Inventories	72.6	4.2	76.8
Trade and other receivables	14.6		14.6
Cash and cash equivalents	9.0		9.0
Assets, total	179.2	81.5	260.8
Deferred taxes liabilities	1.7	25.0	26.7
Pension liabilities	3.4		3.4
Other provisions	2.5		2.5
Current account with overdraft facility	29.0		29.0
Other liabilities	69.9	22.3	92.2
Liabilities, total	106.5	47.3	153.8
Net assets	72.7	34.2	107.0
Acquisition cost			851.1
Goodwill		744.2	744.2

STOCKMANN plc

Hannu Penttilä
CEO

DISTRIBUTION
OMX Nordic Exchange Helsinki
Principal media

A press and analyst conference will be held today, August 6, 2008, at 14.00 at the World Trade Center, Aleksanterinkatu 17, Helsinki.