STOCKMANN

ANNUAL REPORT 2012

STOCKMANN IN BRIEF

Stockmann is a Finnish listed company engaged in the retail trade. Its business divisions are the Department Store Division and the Fashion Chain Division. Stockmann was established in 1862 and celebrated its 150th anniversary in 2012. The Group's revenue in the anniversary year was EUR 2 116 million.

READ MORE
about Stockmann's department store in St Petersburg
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DEPARTMENT STORE *Division*

Stockmann's 16 department stores in four countries offer an **EXTENSIVE AND HIGH-QUALITY PRODUCT RANGE**, a competitive price/quality ratio, and excellent and **PROFESSIONAL CUSTOMER SERVICE** in an inspiring shopping environment with an international ambience. Hobby Hall, Academic Bookstores and Stockmann Beauty stores in Finland are also a part of the Department Store Division.

STOCKMANN

AKATEEMINEN KIRJAKAUPPA

HOBBY HALL

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READ MORE
about the fashion chains' buying and purchasing offices

FASHION CHAIN *Division*

The fashion chains Lindex and Seppälä have in total 689 stores in 16 countries. Lindex's business idea is to offer **INSPIRING AFFORDABLE FASHION**. The product range covers a variety of fashion concepts within women's wear, lingerie, children's wear and cosmetics. Seppälä offers an **EXTENSIVE SELECTION OF INTERNATIONAL FASHION** for women, men, and children. Seppälä's target is to be the bold challenger in international fashion markets.

LINDEX Seppälä

STOCKMANN IN 2012

The Stockmann Group's revenue was up by 5.5 per cent to EUR 2 116 million. The Group's operating profit increased to EUR 87.3 million. Revenue and operating profit increased most in Russia. Profit for the period was EUR 53.6 million and earnings per share came to EUR 0.74. Stockmann plc shares are listed on NASDAQ OMX Helsinki. The company had 59 283 shareholders at the end of 2012. The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.60 per share be paid.

KEY FIGURES

	2012	2011	2010	2009	2008
Revenue, EUR mill.	**2 116.4**	2 005.3	1 821.9	1 698.5	1 878.7
Revenue growth, %	**5.5**	10.1	7.3	-9.6	34.4
Gross margin, %	**49.5**	48.7	49.9	48.1	48.3
Operating profit, EUR mill.	**87.3**	70.1	88.8	85.1	121.9
Net financial costs, EUR mill.	**32.4**	34.4	14.6	24.0	50.1
Profit before taxes, EUR mill.	**54.9**	35.7	74.2	61.1	71.7
Profit for the period, EUR mill.	**53.6**	30.8	78.3	53.8	39.1
Earnings per share**, undiluted, EUR mill.	**0.74**	0.43	1.10	0.82	0.65
Equity per share, EUR	**12.40**	12.11	12.45	11.94	11.22
Dividends paid, EUR mill.	**43.2***	35.9	58.3	51.2	38.0
Dividend per share, EUR	**0.60***	0.50	0.82	0.72	0.62
Cash flow from operating activities, EUR mill.	**123.7**	66.2	91.8	146.8	170.1
Capital expenditure, EUR mill.	**60.3**	66.0	165.4	152.8	182.3
Net gearing, %	**90.9**	95.3	87.7	72.2	107.6
Equity ratio, %	**42.8**	42.2	43.1	44.1	39.0
Number of shares**, undiluted, weighted average, thousands	**71 945**	71 496	71 120	65 676	59 710
Return on capital employed, %	**5.1**	4.1	5.8	5.8	8.3
Personnel, average	**15 603**	15 964	15 165	14 656	15 669

** Board's proposal for the Annual General Meeting.*
*** Figures for 2008 restated due to a rights issue in 2009.*

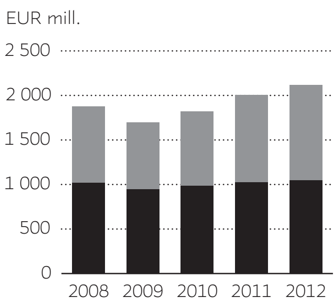
REVENUE BY MARKET 2012

50% Finland
25% Sweden and Norway
18% Russia
7% Baltic countries and Central Europe

REVENUE BY DIVISION 2012

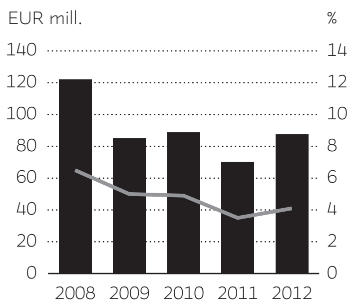
62% Department Store Division
38% Fashion Chain Division

REVENUE 2008–2012



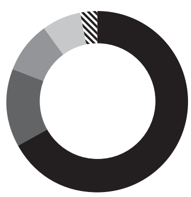
International operations
Finland

OPERATING PROFIT 2008–2012



% of revenue

REVENUE BY MERCHANDISE AREA 2012



67% Fashion and cosmetics
14% Food
9% Leisure
7% Home
3% Books, publications, stationery

INTERNATIONAL STOCKMANN

The Stockmann Group has 16 department stores and over 700 other stores in 16 countries. In 2012 operations expanded to Croatia and Serbia, where Lindex franchising stores were opened. In addition, the Stockmann Group has six purchasing offices in five Asian countries. This was the first year when the Group's revenue from international operations was higher than revenue from Finland.

1 FINLAND
- 7 department stores
- 7 Academic Bookstores
- 56 Lindex stores
- 136 Seppälä stores
- Hobby Hall mail order sales and 1 store
- 12 Stockmann Beauty stores
- 4 Zara franchising stores
- 1 outlet store

2 SWEDEN
- 210 Lindex stores

3 NORWAY
- 100 Lindex stores

4 RUSSIA
- 7 department stores
- 1 shopping centre
- 22 Lindex stores
- 44 Seppälä stores
- 1 concept store
- 1 outlet store

5 ESTONIA
- 1 department store
- 8 Lindex stores
- 21 Seppälä stores
- 1 outlet store

6 LATVIA
- 1 department store
- 7 Lindex stores
- 10 Seppälä stores

7 LITHUANIA
- 10 Lindex stores
- 9 Seppälä stores

8 POLAND
- 5 Lindex stores

9 CZECH REPUBLIC
- 17 Lindex stores

10 SLOVAKIA
- 4 Lindex stores

11 ICELAND
- 1 Lindex franchising store

12 CROATIA
- 1 Lindex franchising store

13 BOSNIA AND HERZEGOVINA
- 3 Lindex franchising stores

14 SERBIA
- 1 Lindex franchising store

15 SAUDI ARABIA
- 19 Lindex franchising stores

16 UNITED ARAB EMIRATES
- 5 Lindex franchising stores

ONLINE STORES
- Lindex (EU countries and Norway)
- Stockmann, Hobby Hall, Academic Bookstore and Seppälä (Finland)

PURCHASING OFFICES
- Bangladesh, India, China, Pakistan and Turkey

STOCKMANN 150 YEARS

Stockmann celebrated its 150-year history with its customers. The key anniversary was highlighted in the department stores' marketing and customer communication, and Stockmann's role as a pioneer and the provider of excellent customer service was emphasised.

The Helsinki city centre department store was the focal point of the events to mark the key anniversary. The exterior of the store was beautifully illuminated in honour of the celebrations. In February there was an exhibition of Stockmann's history at the department store's Argos Hall and a book called **Crazy Days, Amazing Years** about the company's history was published.

LINDEX'S new *Holly & Whyte* collection combines timeless fashion classics with a twist. The collection was presented *for the first time in the spring campaign.*

A DREAM BOOKSTORE
The remodelled *Akateeminen.com online store* opened in summer 2012. During the year the Academic Bookstore's marketing was also given a new look which can be seen in its advertising and its store milieu.

TURKU DEPARTMENT STORE

30 YEARS

THE UNIQUE
150 Edited Collection,
a numbered collection of fashion, design and delicacies that was created especially for the anniversary year, was launched in the Stockmann department stores during the year.

CHANGES TO THE STORE NETWORK
Lindex expanded into Serbia and Croatia through franchising stores. Seppälä closed its stores in Ukraine and Stockmann discontinued the Bestseller franchising operation in Russia. New Lindex and Seppälä fashion stores opened during the year totalled

32

ITÄKESKUS DEPARTMENT STORE

20 YEARS

SEPPÄLÄ'S
baby collection
for the youngest members of the family was launched in April. The clothes' patterned designs are colourful and stylishly simple. Eco-friendly materials are favoured in the collection of baby clothes.

HOBBY HALL

50 YEARS

Hobby Hall celebrated its 50-year history by offering its customers excellent anniversary year benefits through its online store, mail order catalogues and the store. The company started out in 1962 as a small mail order company called Concert Hall Society that sold records. Hobby Hall has made popular products from various periods, from fitness equipment to bread machines and food processors, available to Finns. The majority of Hobby Hall's collection is made up of *well-known home and leisure product brands.*

MISSONI-LINDEX
Missoni, the Italian fashion house, cooperated with Lindex to support breast cancer research. A unique collection was launched in Lindex stores and online store in September with great success.

CRAZY DAYS
go online
The popularity of the Crazy Days campaign continues in Finland and abroad. In October it was possible to purchase Crazy Days products through Stockmann's online store in Finland for the first time. This enabled the campaign to reach a larger audience than ever before.

TOWARDS **PROFITABLE GROWTH**

CUSTOMER ORIENTATION *is essential for success* in all market situations.

Stockmann's anniversary year, 2012, was marked by economic uncertainty and an economic outlook that was difficult to predict. Although the threat of a euro zone break-up diminished significantly during the year, no permanent solution has been found for Europe's debt crisis and consumer confidence has remained low. It now seems probable that we should prepare for a long period of low growth, especially in Finland but also in other Nordic countries. We are fortunate that one of the key pillars of Stockmann's operations is our business in Russia and the Baltic countries, as these countries are again experiencing favourable economic trends.

Russian business becomes profitable

The Stockmann Group's revenue grew by 5.5 per cent in 2012. A genuine success story for the year was our Russian department store business. The St Petersburg department store has already met the expectations set for it and its sales are climbing towards the point where it will be the division's second largest department store. The Group's position in Moscow has strengthened, as all the Stockmann department stores in Moscow increased their sales considerably, and this was also the case in Ekaterinburg. At the same time, growth in the Finnish department stores slowed in the second half of the year. 2012 was in fact the first year in Stockmann's 150-year history when the company's revenue abroad exceeded its revenue in Finland.

Our Lindex fashion chain increased its market share in almost all its countries of operation. Lindex expanded its business to include two new franchising countries, Croatia and Serbia, and it established more than 20 new stores. For Seppälä, the year was extremely challenging: revenue fell in Russia and in Finland, and the operating result weakened significantly. The new Fashion Chain Division was set up in summer 2012 to strengthen the cooperation between Lindex and Seppälä and to support Seppälä's competitiveness and profitability.

Revenue growth brought Stockmann a significant earnings improvement in Russia, at over EUR 19 million, and, as we had promised, our operating profit in Russia became positive for the first time since the start of the financial crisis in 2008. Both divisions increased their operating profit in the Baltic countries. The Group's operating profit grew by EUR 17.3 million to a total of EUR 87.3 million. Earnings per share rose to EUR 0.74, on which the Board of Directors proposes that a dividend of EUR 0.60 per share be paid.

Distinct improvement in cash flow

The improved earnings and lower capital expenditure than in previous years boosted Stockmann's cash flow from operating activities, which was up considerably. Successful management of stocks helped improve the efficient use of capital. We have also taken other steps to strengthen our financial position. In November, we successfully issued a long-term bond of EUR 150 million, with which we expanded Stockmann's financing sources and diversified the maturity of the loans.

We have also started the process of evaluating the commercial value of the Nevsky Centre shopping centre in St Petersburg. The shopping centre includes a successfully operating Stockmann department store, which is our flagship in Russia, plus almost 90 other operators together leasing more than half of the Nevsky Centre's commercial retail space. We will consider selling this property only if we find a partner with whom we can ensure the right operating framework for the Centre's Stockmann department store for many years to come.

Continued growth in key role

In an uncertain operating environment it is essential that the cost structure is in right proportion to revenue growth. This must be taken into account in 2013 in our Finnish operations in particular, where our operating profit in 2012 was short of expectations. The comprehensive remodelling begun at Seppälä brings an opportunity for the brand to alter its course, also in regard to earnings performance.

Along with enhancing profitability, sights must also be set on building a growth track. In Finland and Sweden, sales growth is challenging in the present market environment, but online shopping offers growth opportunities for all our units. In Russia, our department stores are still going through a strong growth phase, supported by the country's generally favourable economy in comparison with the rest of Europe. Lindex's business concept is a great success, and the fashion chain will continue to expand its store network. With sufficient growth Stockmann has a possibility to achieve its long-term financial targets, which are still in place, even though the Board of Directors decided in summer 2012 to abandon the previously set timetable, due to the prolonged nature of the financial crisis.

The core value of Stockmann's business, namely its customer orientation, is essential for success in all market situations. Thanks to our strong customer loyalty, the company's competitiveness remains good. Our starting point for 2013 presents something of a challenge, but I am confident in Stockmann's ability to increase again its revenue. Special attention will be given to profitability, and in Russia even a relatively small revenue growth can bring a significant earnings improvement. The Group's operating profit in 2013 is expected to be higher than in 2012.

Anniversary thanks

I would like to thank all of our customers, our shareholders and our partners for their trust in the company in the year of Stockmann's 150th anniversary. A special thank you goes to our employees for their customer focus and commitment, which enabled us to achieve reasonable financial results in a demanding market environment.

Helsinki, 13 February 2013

Hannu Penttilä
CEO

STRONG LEADER IN THE DEPARTMENT STORE AND FASHION RETAILING

Stockmann has been at the leading edge of retailing throughout its 150-year history, with its customer-focused and profit-oriented operations. As its business has expanded and become more international, the strategic emphasis has shifted somewhat, although profitable growth has always been at the heart of the company's strategy.

To secure profitable growth in the next coming years, the company will maintain a strong focus on international operations, especially the Russian business, on improvement of the online stores, development of the store network, and efficient processes and systems. Strong retail brands valued by customers will remain key to successful operations also in the future.

New organisational structure will boost growth

Stockmann's expertise in the department store business and fashion retailing is very strong. In 2012, the Group's organisational structure was modified to correspond to these two sectors: department stores and fashion chains. The new structure clarifies the operations of the Stockmann Group and strengthens its affordable fashion business. The Fashion Chain Division encompasses all the operations of Lindex and Seppälä and supports their strategic goal of expanding successfully in international markets. The comprehensive remodelling of the Seppälä brand, which was begun in autumn 2012, is focusing on the target groups and product range and on marketing and store concepts. The outcome of the project will be critical to the growth and success of Seppälä.

Profitability will improve in various ways

The international dimension is today a key factor in the success of Stockmann's operations: the company has department stores in four and fashion stores in 16 countries. Operations are well established, particularly in the Nordic countries, Russia and the Baltic countries. As a consequence of the economic uncertainty in Europe, the company's international expansion has a more decisive role to play in Stockmann's profitable growth strategy.

To improve profitability, the franchising cooperation in Russia with Bestseller was discontinued in 2012, as this had been making a loss ever since the start of cooperation in 2005. The closure of the 20 Bestseller stores weakened the Department Store Division's revenue in Russia in 2012, but it will improve profitability from 2013 onwards.

In Finland the division ended the Zara franchising operations in early 2013. The stores are now run by the Spanish owner of the Zara brand. Discontinuing the franchising operations enables the Department Store Division to concentrate on its own core business.

Seppälä's stores in Ukraine were closed in October 2012. These two stores were used

Stockmann's 150th anniversary – WITH THE CUSTOMER AS THE GUEST OF HONOUR

Stockmann was founded on 1 February 1862, when **Heinrich Franz Georg Stockmann** took possession of the Nuutajärvi Glassworks shop by the Helsinki Market Square. This small shop grew first into a 'continental department store' and later into a leading-edge retail company listed on the stock exchange.

The secret to Stockmann's success and longevity is its customers, and Stockmann focuses on surpassing their expectations every day. Stockmann's 150th anniversary was celebrated with customers in a variety of ways. In February 2012 the Helsinki flagship department store hosted a special event *for more than 7,000 First Loyal Customers and other stakeholders*. The following day was a Loyal Customer day in all of the Finnish department stores, with customers as the honoured guests.

to test the Ukrainian market and business environment for the possible expansion of other units of the Stockmann Group. Stockmann's view is that there are no grounds for expansion in the near future.

Both of the Group's divisions are evaluating very carefully the extent of their entire store network. Each store's profitability is an important success factor, as leasing costs are expected to remain high in all countries of operation.

Profitable growth will be aided by efficient processes and systems, which are being developed in both divisions. In the Department Store Division a new information system will be introduced mainly during 2013, replacing a number of existing enterprise resource planning (ERP) systems. In the Fashion Chain Division, Seppälä will be using Lindex's ERP and financial systems in 2014 at the latest. The fashion chains will also start using uniform processes, which will boost profitability particularly as a result of more detailed purchase planning. Correctly scaled and allocated product volumes will be essential in achieving an improvement in the gross margin. In the department stores, a new operating model for purchasing was introduced during 2012.

Growth through online stores

Stockmann believes that focusing on the online stores, online services and multichannel retailing is essential in boosting sales, especially in the main markets of Finland and Sweden. The Group has five online stores – Stockmann, Hobby Hall, Academic Bookstore, Lindex and Seppälä – all of which have undergone considerable development.

These development efforts will continue throughout the coming years. The wide recognition and popularity of the Crazy Days sales campaign in particular create an excellent opportunity for expanding the campaign from the department store localities to the whole of Finland. The Lindex online store is currently the only one of the Group's online stores that operates extensively in Europe.

Capital expenditure will increase retail space

Stockmann will continue with a moderate level of capital expenditure and will reap the benefits of the major capital expenditure projects already completed. The estimated level of capital expenditure in 2013–2015 will be about EUR 60 million annually. Most of this will be in department store renovations and in expansion of the store network. In both divisions, capital expenditure will also be allocated to IT projects concerning efficiency improvements and online shopping.

Department store renovations will mainly be in Finland. The Tampere and Tapiola department stores will gain significantly more retail space in the renovation projects for these stores, which are due for completion in 2014 and 2016, respectively. The retail space at Stockmann's Itäkeskus department store in Helsinki will remain unchanged when it moves to new premises at the same shopping centre, now renamed Itis, in November 2013. The move will bring a new, up-to-date retail environment and a new,

Surpassing customers' expectations has been a part of Stockmann's operations throughout its 150-year history.

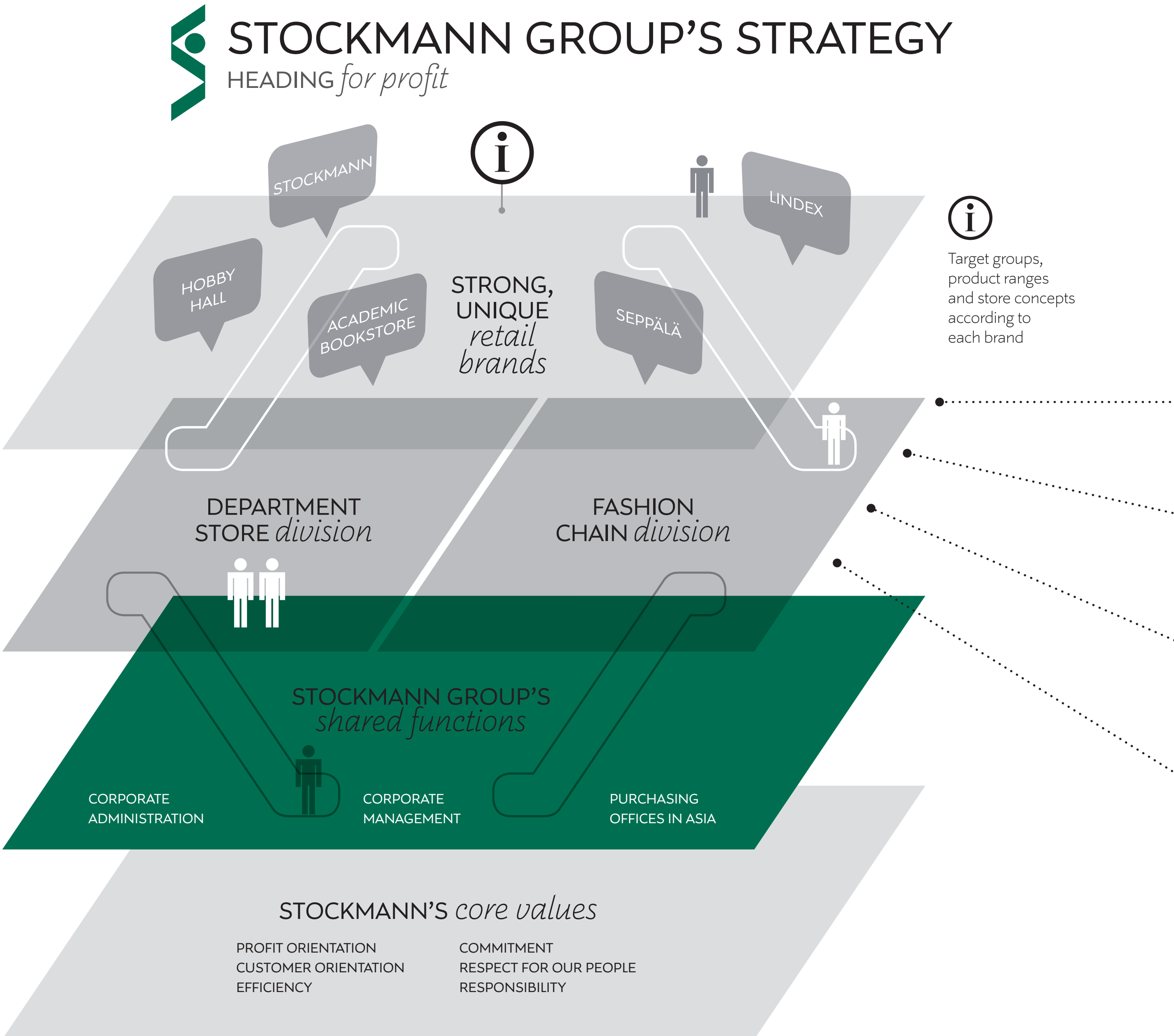
improved food department. The capital expenditure in this project is being financed by the lessor. In addition to the Finnish department stores, there are also renovations planned for the department stores in Moscow's Mega shopping centres and the department stores in the Baltic countries.

The fashion chains are targeting growth particularly in their existing markets. A major share of capital expenditure will be on new store openings and on refurbishments of existing stores. Growth opportunities are likely to occur especially for Lindex on the Russian market and in eastern Central Europe, the aim being to open about 20 new stores annually. The successful franchising cooperation will also be developed on other markets.

Key importance of Russian business will continue

Stockmann's Russian business will play a key role in achieving profitable growth in the next few years as well. The Russian market is expected to continue growing at a faster rate than the Nordic countries, provided there is no exceptionally large drop in crude oil prices.

The profitability of the Russian department stores, which improved very well in 2012, gives reason to believe that the capital expenditure made in Russia will continue to bear fruit in the future. Stockmann estimates that the entire Group's revenue will grow in 2013, excluding the terminated franchising operations. Operating profit is expected to be higher than in 2012.



LONG-TERM FINANCIAL TARGETS

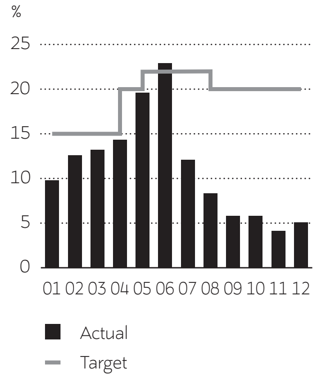
RETURN ON CAPITAL EMPLOYED
Minimum
20%

OPERATING PROFIT, % OF REVENUE
Minimum
12%

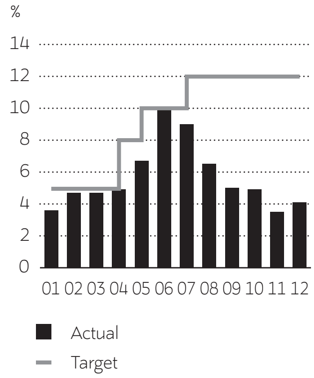
EQUITY RATIO
Minimum
40%

SALES GROWTH
Above industry average

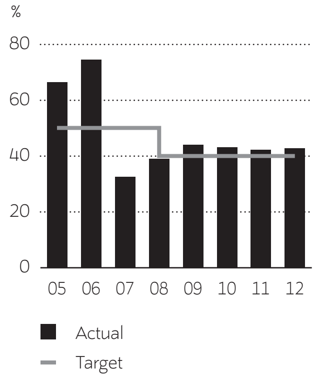
RETURN ON CAPITAL EMPLOYED 2001–2012



OPERATING PROFIT, % OF REVENUE 2001–2012



EQUITY RATIO 2005–2012



STRATEGIC ACTIONS *in the divisions*

STRATEGIC AIM	DEPARTMENT STORE DIVISION	FASHION CHAIN DIVISION
INCREASED RETAIL SPACE	• Itäkeskus relocation in 2013 • Tampere enlargement in 2014 • Tapiola relocation and enlargement in 2016	• Expansion in current and new markets: approx. 20 stores annually • New franchising markets for Lindex (Serbia, Croatia in 2012)
STORE PROFITABILITY	• Terminating Bestseller franchising in Russia in 2012 • Terminating Zara franchising in Finland in 2013	• Closing down Seppälä's stores in Ukraine in 2012 • Evaluating all current store locations' cost structure (sales vs. rental costs)
MULTI-CHANNEL RETAILING	• Remodelled Akateeminen.com in 2012 • Online Crazy Days in Finland in 2012 • Strengthening and expanding online stores	• Strengthening and expanding online stores
EFFICIENT PROCESSES AND SYSTEMS	• Buyer-Planner organisation in 2011 and 2012 • New enterprise resources planning (ERP) system into use in 2013 and 2014	• Harmonised processes and planning system for buying • Seppälä's transition to Lindex's ERP and financial systems in 2013 and 2014

Stockmann department stores' vision is to be the best European department store chain in terms of selection, customer service, store milieu and profitability. Stockmann's department stores operate in Finland, Russia and the Baltic countries. In Finland, the Division also includes the Stockmann and Academic Bookstore online stores, Stockmann Beauty cosmetics stores, and Hobby Hall.

24/7

Prime location ENSURES A STEADY FLOW OF CUSTOMERS

"Our customers value **quality and well known brands"**, *says* Maria Martynova, *Department Store Director in St Petersburg.*

Stockmann's department store in St Petersburg is located on the corner of the major roads Nevsky Prospect and Ligovsky Avenue. Every day, over 200,000 cars use these roads and 84,000 people use the neighbouring Vosstaniya Square metro station.

"The prime location ensures a steady flow of customers," says **Maria Martynova**, Department Store Director of the department store in St Petersburg. She shows us around the attractive Delicatessen food department where customers on their lunch breaks are queuing for salads at the service counter.

Customers value the wide selection of products and excellent customer service provided by the Delicatessen. In addition to its selection of high quality delicacies, there are plenty of inexpensive staple groceries on offer for the wide range of customers who shop at the store.

DIVERSE **DEPARTMENT STORE DIVISION**

STOCKMANN AKATEEMINEN KIRJAKAUPPA HOBBY HALL STOCKMANN BEAUTY

BRAND PROMISE

More than I expected

- Uniquely extensive, high-quality product range
- Excellent and professional customer service
- Competitive price/quality ratio
- Inspiring shopping environment
- Modern, international ambience

PRODUCT SELECTION

Fashion, cosmetics, food, leisure products, homeware, electronics, sport, books and stationery

OPERATING COUNTRIES

Finland, Russia, Estonia, Latvia

CHAIN 31 DEC 2012

16 department stores, 3 online stores 21 other stores

Stockmann department stores celebrated their 150th anniversary year by offering their customers shopping experiences surpassing their expectations. During the anniversary year there were several development projects under way to improve profitability and competitiveness of the chain. The Department Store Division's revenue increased by 5.3 per cent to EUR 1 302.7 million. Operating profit was EUR 48.0 million, up EUR 12.8 million from the previous year. Profitability improved especially abroad.

A key reason for the revenue growth was the successful Crazy Days sales campaign, which again achieved a new sales record. The campaign's revenue was up by 10 per cent and the sales grew particularly well in Russia. In Finland, Crazy Days went national in the autumn as the campaign was launched successfully in the Stockmann online store. ▶

Delicatessen is a window into the international culinary trends for many people living in St Petersburg.

"The Delicatessen significantly increases the number of visitors to the department store every day and is responsible for over a third of the sales. However, the largest product area is fashion, which makes up over 50 per cent of sales."

The department store that was opened in November 2010 has performed excellently. On average, a new department store starts to become profitable after three years of operation and full operation is achieved a few years after this. The profit improvement of the department store in St Petersburg has been clearly faster than average.

"We are very competitive and our targets are high. The sales figures for our Crazy Days campaign in autumn 2012 were already the second highest for the department store chain.

St Petersburg's middle class offers plenty of potential

Almost 600 department store professionals work at the St Petersburg department store. Martynova spends a large part of her day in the store's various departments heading customer service in close cooperation with sales managers and other members of staff.

"We respond to customer feedback, introduce new products to the product selections and develop the shopping environment

During the year Stockmann focused strongly on developing its online stores and a large enterprise resource planning (ERP) reform. Capital expenditure during 2012 totalled EUR 30.4 million, and was significantly below the level for 2006–2010, which was a period of major capital expenditure projects.

Distinctly improved financial result in Russia

The Department Store Division's revenue growth in Finland slowed after the summer, reflecting the general weakening of consumer demand. Revenue totalled EUR 881.2 million, which is 2.3 per cent above the 2011 figure. Stockmann department stores' market share increased in most merchandise areas, but the weak demand in electronics affected especially Hobby Hall's development. Due to the slow growth in revenue, operating profit was down from the previous year. Stockmann's online store's revenue grew strongly especially at the end of the year. The Helsinki city centre department store's sales development was also better than average.

In the Baltic countries, the market remained good throughout the year. The revenue of Stockmann's department stores grew by 8.2 per cent, to EUR 98.8 million. There was strong growth in both Tallinn and Riga. Both department stores also clearly improved their operating profit.

The Russian department stores' revenue grew by 19.0 per cent, and the operations became clearly profitable. In particular, the St Petersburg department store, opened in late 2010, significantly improved its result thanks to excellent sales growth. The five department stores in Moscow and the Ekaterinburg department store that was opened in March 2011 also experienced sales growth and improved their profitability.

In the 150^{th} anniversary year, Stockmann gained approximately 350,000 new Loyal Customers.

The loss-making Bestseller fashion chain in Russia, which operated on the franchise basis, was discontinued in 2012. The Department Store Division's revenue in Russia, with the inclusion of the Bestseller stores, was up by 13.5 per cent to EUR 322.7 million.

The Nevsky Centre shopping centre has established its role as an international shopping environment in the heart of St Petersburg. The store and office leasing occupancy rate is high and the shopping centre's visitor numbers have increased, as has the car park utilisation rate and average sales in the stores. The time is right for determining the commercial value of the Nevsky Centre property.

Efficiency through precise purchasing

Stockmann has over 1.5 million product titles in its selection. The product areas that developed especially well in 2012 were cosmetics and Delicatessen. The biggest merchandise

24/7

and customer services," says Martynova at the women's fashion department where more space is currently being constructed for a new, international clothing brand.

"Our customers are very fashion conscious. Above all they value quality and well-known brands – price is also an important factor."

The St Petersburg department store is the anchor store of the Nevsky Centre shopping centre owned by Stockmann, and it occupies almost half of the shopping centre's retail space. The shopping centre and department store work in close cooperation and benefit from one another's customer flows.

"Each of the six floors of the shopping centre is constructed around a coherent product world. This makes it easy for customers to shop at the department store and the speciality stores in the shopping centre," says **Tero Nyström**, Director of the Nevsky Centre.

"We know what kinds of events the shopping centre is organising and we correspondingly let the other tenants know about the events on our marketing calendar. The teamwork works well, as the shopping centre's campaigns also support our sales," says Martynova.

In Russia, various events play an important role. The Crazy Days sales campaign provides a considerable contribution to the annual revenue, also in St Petersburg and fills the store from opening until closing.

area, fashion, also developed well. The market situation for electronics and books is challenging, which affects sales also for the Department Store Division. During the year Stockmann has been allocating significant resources to the Academic Bookstore, whose online store and marketing concept were remodelled during the year. In 2013 Academic Bookstore celebrates its 120th year, and renovation at the Academic Bookstore's flagship in Helsinki city centre will begin.

Efficient and skilled buying is the key success factor in managing this extensive selection. A new Buyer-Planner organisation model was introduced in the Department Store Division in phases during 2012. It is based on an arrangement whereby the buyer is responsible for understanding customer wishes and trends, and for finding commercially attractive products for the selections, and the planner sees to the buying budget, inventory management, and allocation of the products between the different department stores, channels and countries. Together, the buyer and planner purchase the brands under their responsibility for the entire department store chain.

Due to well-planned buying there was a slight improvement in the Department Store Division's gross margin, which was 41.9 per cent. Stock rotation remained at a good level in all markets, also in Russia, where a new logistics centre opened in 2011 and has made logistics processes more efficient.

Excellent customer service and new shopping environments

Professional customer service is translated into the Stockmann department stores' brand promise: More than I expected. This promise is targeted especially at Stockmann's Loyal Customers, who already number more than 3 million. In 2012, Stockmann gained approximately 350,000 new Loyal Customers.

In the Finnish department stores, and especially the Helsinki city centre flagship store, there is a strong focus on the growing number of tourists. In December, a Visitor Centre was opened in the Helsinki city centre department store, focusing on customer service for tourists. In particular the number of Russian tourists has grown, and so the department stores nowadays also accept payment in roubles.

No brand new Stockmann department store openings are planned in the next years. Instead the focus will be on renovating department stores in all markets, but especially in Finland. The first significant renovation project to be completed will be the Itäkeskus department store, which will move to new premises at the Itis shopping centre in Helsinki in late 2013. The construction work for the enlargement project at the Tampere department store is under way, and the new look department store will open in late 2014. At Tapiola, Espoo, the aim is that the Stockmann department store will move to a new building in 2016.

Towards greater profitability in 2013

A new enterprise resource planning system will be taken into use in 2013 and 2014, replacing the department store chain's old outdated systems. During the ERP project, which begun in 2011, all the business processes extending from purchasing and logistics to store operations, distance retailing and financial management, have been reviewed.

The uncertainty in the market development represents a challenge for the Finnish business of the Department Store Division. However, the fast growth of the online business is estimated to continue, and developing the multichannel aspect of operations is important in Finland. The Russian and Baltic business is expected to continue growing strongly. Many of Stockmann's department stores in Russia are only at the initial phase of their operations and so a significant improvement in profitability can be achieved with relatively small sales growth. Russia's profitability is also improved due to the disclosure of the loss-making Bestseller franchising operations in 2012.

The key goal of the Department Store Division for year 2013 is improving profitability in all markets. In addition to sales growth, the important factors in achieving the goal are cost control, carefully planned buying, and optimising stock levels.

A typical customer at the St Petersburg department store is *female, she is 30–45 years old, has a family and is from the upper middle class*. Many of the customers live or work nearby.

There are over

1.9

million people in the St Petersburg area who belong to the middle class, so there are plenty of potential customers.

Martynova visited the Stockmann department stores in Moscow and Riga to find out about the Crazy Days concept in advance. The directors of the Ekaterinburg department store that was opened in March 2011 also came to St Petersburg to find out about the processes involved in the opening of the department store.

"There are seven Stockmann department stores in Russia and we like to share experiences and learn from one another. We can also try out new ideas first at just one department store or in one department."

Teamwork between sales, buying and marketing

The Department Store Division's buying has been concentrated in a buying organisation that serves the entire chain. This organisation underwent a considerable change during 2012. Martynova is expecting a lot from the new buyer-planner organisation.

"The accuracy of purchases is extremely important for the profitability of the department store. It is very important to have the right amount of right products at the right time. The enhancement of our buying and planning operations has already had a positive impact on our results."

The merchandise management and buyers visit the department store regularly.

MULTICHANNEL

department store business

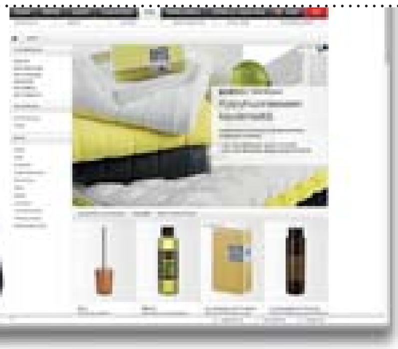
Stockmann's Department Store Division provides its customers diverse services through a range of different channels. Considerable resources have been devoted to developing the Division's online business in recent years, and it now has three online stores: *Stockmann.com, Akateeminen.com and Hobbyhall.fi*

Stockmann.com is a leading-edge online store that complements the product selection of the Stockmann department stores and is the fastest growing part of the division. In 2012, the focus was especially on expanding the product selection and developing multichannel shopping concepts. At the end of the year, the online store launched a mobile version for smart phones which enables easy product browsing and online buying anywhere, any time. The mobile store reflects the trend in retailing, and today's multichannel store combines all channels in a new way, in a single service that can be used whatever the device or location.

In October 2012, Stockmann began something new by expanding its popular Crazy Days campaign online. A significant proportion of the Crazy Days catalogue campaign products could be purchased for the first time via the online store anywhere in Finland, night or day over the five-day period. This successful launch attracted more than 800,000 visitors to the online store, including many from outside the department store localities, as far away as Lapland and the Åland Islands.

Hobby Hall, which celebrated its 50th year of operation in 2012, is also part of the Department Store Division's distance retail unit. There are more than half a million active Loyal Customers who can make purchases in the online store, through mail-order catalogues, or in the store in Vantaa. Hobbyhall.fi is one of Finland's most popular online stores. It offers a significantly wider product selection than in its printed catalogues, consisting of electronics, home and leisure products.

The Academic Bookstore opened its redesigned online store in summer 2012. Akateeminen.com was given a fresh new image to suit its new marketing concept, and the structure and functions of the online store were improved. This means that all the Stockmann's Department Store Division online stores now use the same technology and benefit from the expertise of the common distance retail unit.



Stockmann.com **IS THE FASTEST GROWING** *part of the division.*

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"At our meetings we go over the product selection, key financial indicators and visual marketing. We also discuss product pricing, the local market position of brands and the competition environment in St Petersburg.

"We discuss customer feedback and analyse the results and effect of various campaigns. The buyers also closely monitor customer behaviour at the department store. We also maintain weekly contact in addition to these visits."

The Department Store Division's marketing organisation also serves the entire chain in all countries of operation. The campaigns are as similar as possible at each department store, but they are slightly adapted for the local operating environment. Efficient cooperation between purchasing, marketing and sales is required in order to ensure success in all markets.

Marketing of the department store concentrates on the over 180,000 Loyal Customers in St Petersburg.

"Loyal Customers are offered monthly discounts, various shopping events and additional services which are highly valued. Some of our Loyal Customers compare us to the department store in the centre of Helsinki and want us to offer the same products or services that they have seen there."

Committed personnel are the secret to our success

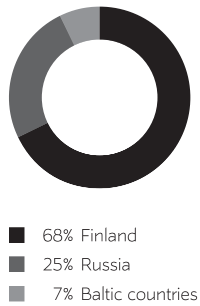
Stockmann's core values, such as profit-orientation and exceeding customer expectations are tangible in the St Petersburg department store and in everything that Maria Martynova does. While she is showing us around the department store

The new Stockmann's brand for women's fashion, NOOM has also been successful in St Petersburg.

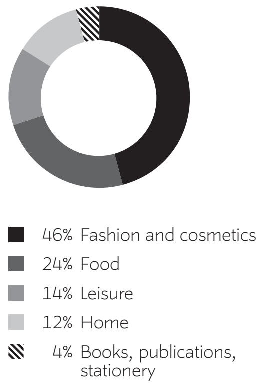
KEY FIGURES

EUR mill.	2012	2011	Change %
Revenue	**1 302.7**	1 236.9	5
Gross margin, %	**41.9**	41.2	
Operating profit	**48.0**	35.2	36
Operating profit, %	**3.7**	2.8	
Return on capital employed, %	**7.3**	4.9	
Investments	**30.4**	35.4	-14
Personnel, average	**9 154**	9 548	-4
Sales area, square metres	**234 287**	230 577	2

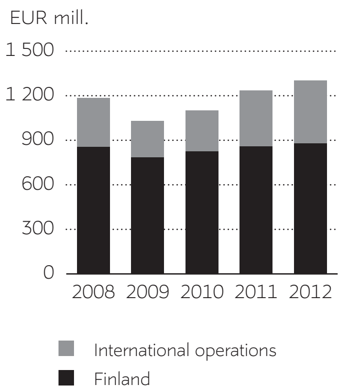
DEPARTMENT STORE DIVISION'S REVENUE BY MARKET 2012



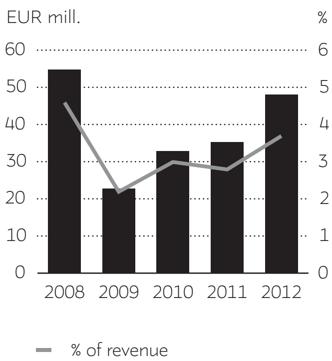
DEPARTMENT STORE DIVISION'S REVENUE BY MERCHANDISE AREA 2012



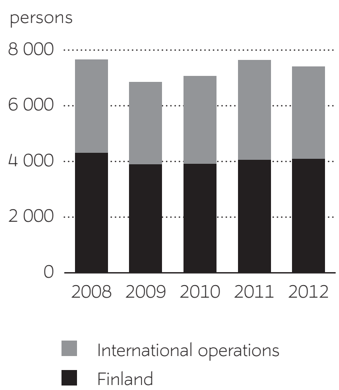
DEPARTMENT STORE DIVISION'S REVENUE 2008–2012



DEPARTMENT STORE DIVISION'S OPERATING PROFIT 2008–2012



DEPARTMENT STORE DIVISION'S STAFF* 2008–2012



* Average number converted to full-time staff

70% *of sales come from the Loyal Customers.*

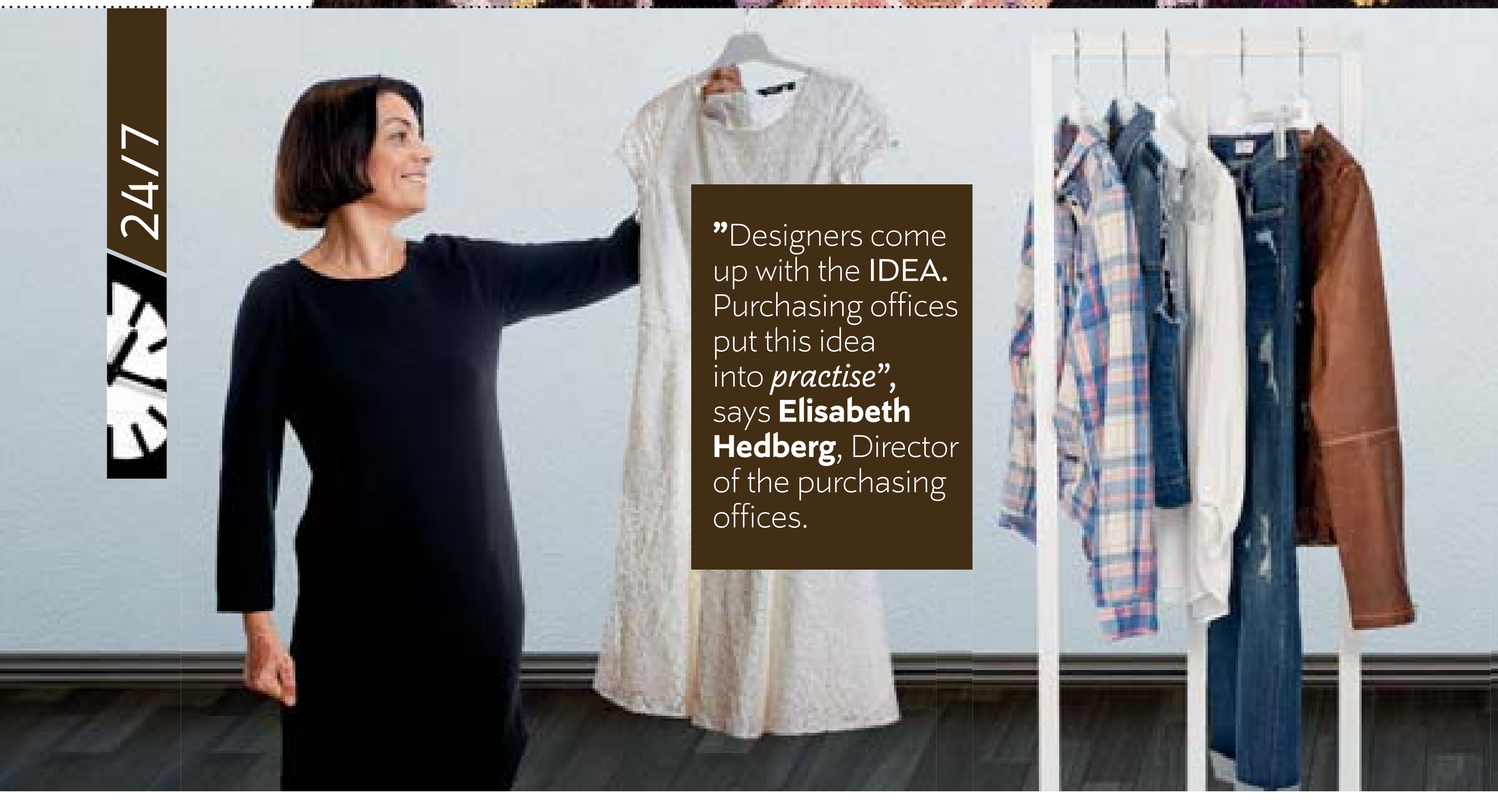
she also helps passing customers, straightens out the piles of clothes in the fashion departments and requests more help at the service counter.

In addition to supervising sales, Martynova spends a lot of her time training personnel, organising campaigns and dealing with internal processes. For example, the development of logistics is a continuous job, as the department store receives over one hundred deliveries a day.

"There are a lot of small and larger decisions involved in the daily management of the department store. The core values steer decision-making and we discuss them a lot. They are also emphasised in recruitment.

"The members of staff in managerial positions are very committed. They value the opportunity they have to develop together with the company. Our members of staff are genuinely proud of the fact that we are Stockmann's flagship department store in Russia. We work hard every day to ensure that we live up to Stockmann's vision of being the best department store chain in Europe." ■

Stockmann's new Fashion Chain Division offers affordable fashion to customers of its Lindex and Seppälä stores. Lindex is one of the leading fashion chains in Europe, with 469 stores in 16 countries. Its range covers several different concepts within women's and children's wear, lingerie, and cosmetics. The Seppälä fashion chain has 220 stores in Finland, Russia and the Baltic countries. Seppälä offers a diverse and affordable fashion product range to women, children, and men.



"Designers come up with the **IDEA.** Purchasing offices put this idea into ***practise*"**, says **Elisabeth Hedberg**, Director of the purchasing offices.

RENEWAL FOR THE **FASHION CHAINS**

LINDEX Seppälä

BRAND PROMISES

Lindex – *world-class fashion experience*
Inspiring affordable fashion for fashion-conscious women
Seppälä – *the bold challenger in international fashion markets*
Encourages customers to enjoy fashion in their own way

PRODUCT SELECTION

Fashion clothing, accessories and cosmetics

OPERATING COUNTRIES

Seppälä 5 and Lindex 16 countries
Both fashion chains: Finland, Russia, Estonia, Latvia, Lithuania
Lindex: Sweden, Norway, Czech Republic, Poland, Slovakia and franchising stores in Saudi Arabia, United Arab Emirates, Iceland, Bosnia and Herzegovina, Serbia, Croatia

CHAIN 31 DEC 2012

689 stores and online stores

Last year was another difficult year for affordable fashion. The general market development was in decline almost throughout the whole year particularly in Lindex's main markets of Sweden and Norway. However, Lindex did slightly better than the general market and increased its market share in all countries except in Norway. Seppälä suffered from the difficult competitive situation in Finland and Russia.

The Fashion Chain Division's revenue grew in total by 6.0 per cent and was EUR 814.0 million. Lindex accounted for 82 per cent of the division's revenue and Seppälä for 18 per cent. The division's operating profit was EUR 50.0 million, which is EUR 7.3 million more than in the previous year.

Lindex's success continues

Lindex's revenue was up 7.5 per cent and was EUR 670.9 million. A significant reason for the growth in euro-denominated revenue was the strengthening of the Swedish krona and the Norwegian krone. ▶

PURCHASING OFFICES GIVE THE FASHION CHAINS *a competitive advantage*

One of the main strengths of the Fashion Chain Division is the common purchasing offices, which work in close cooperation with designers and buyers.

"Lindex established its first purchasing office in Hong Kong in 1993. Since 2008 all offices have served Lindex, Seppälä and the Stockmann's department store brands," explains **Elisabeth Hedberg**, Director of the purchasing offices.

By having their own purchasing offices, the fashion chains can be close to the production facilities, which provides them with multiple advantages.

"As we know exactly what is going on in the factories, it is easier for us to carry out our corporate social responsibility. Close ties with suppliers also help in the planning of production and help us to make better use of local expertise."

Designing collections is brand-specific: Lindex, Seppälä and the Department Store Division's own private label brands have their own designers, and specific target groups and distinct features. At the same time, the purchasing offices make use of the benefits arising from the size of the group and the synergy it creates.

Stockmann's purchasing offices are located in *China, Hong Kong, India, Bangladesh, Pakistan and Turkey*. They purchase the clothes for the fashion chains from a network of

569

factories operated by about **250 goods suppliers.**

The revenue growth was 2.8 per cent in local currencies. Almost 80 per cent of the revenue came from Sweden and Norway, where revenue remained on a par with the previous year. Lindex's growth remained strong in its newest market areas, Russia and eastern Central Europe. The fashion chain was also successful in the Baltic countries.

Lindex's operating profit grew by EUR 9.8 million and was EUR 51.0 million. The operating profit remained strong in particular in Lindex's biggest operating country, Sweden, thanks to strict cost control, although sales were lower than expected. The fashion chain's gross margin remained at a very good level due to fewer markdowns and was 62.3 per cent.

The most successful campaign of the year for Lindex was the collection made in cooperation with the fashion house Missoni. The collection arrived at stores at the end of September, and was quickly sold out in Lindex's online store as well as its stores in different countries. 10 per cent of the sales proceeds from the collection were donated to the fight against breast cancer. In total a sum of EUR 1.8 million was collected during the campaign and donated to the cancer funds of different countries.

Children's wear achieved the most growth of Lindex's product groups in 2012. Lingerie sales remained at the previous year's level. Sales of women's wear grew somewhat. In spring 2012 Lindex's new Holly & Whyte collection for women was introduced with Gwyneth Paltrow, actress and fashion icon, as its figurehead.

Seppälä targets a turnaround

Seppälä's revenue was on a par with the previous year, at EUR 143.1 million. 65 per cent of the revenue came from Finland where sales developed positively until the summer but were clearly lower than expected for the rest of the year. Revenue in the Baltic countries grew during the whole year whereas in Russia revenue was down.

Combining Seppälä and Lindex into one business division creates new possibilities for both fashion chains.

Seppälä's operating profit was EUR −1.0 million, which is EUR 2.4 million less than in 2011. The result includes EUR 0.4 million in non-recurring costs due to the closure of operations in Ukraine. The declined earnings were due to a lowered gross margin and weak sales, which were unable to cover the fixed operating costs in Finland or in Russia. The declined gross margin was mainly due to continuous price-driven campaigns, which were used to attract visitors to the stores. Several measures have been started to improve profitability, as part of the new Fashion Chain Division's initiatives.

Seppälä's strongest growing product group in 2012 was children's wear which was complemented with an additional Baby collection in the spring. Sales of accessories were on a par with the previous year but sales of women's and men's wear declined. Seppälä's designs are created by Seppälä's own experienced fashion designer team. A collection called Hornblende created by the well-known Finnish designer Tiia Vanhatapio was introduced in late 2012 for Seppälä's customers.

Growth from the stores and online

Lindex's successful expansion continued in 2012. At the end of the year Lindex had a total of 469 stores in 16 countries. The expansion strategy relies on two central factors: establishing Lindex's own stores in the main market areas, and franchising in the market areas that the chain would not otherwise be able to enter. A total of 21 Lindex's own stores were opened in 2012: three in Sweden, five in Norway, two in Finland, one in Estonia, four in the Czech Republic, one in Poland and five in Russia. Five stores in the Nordic countries were closed during the year.

Through franchising partnerships Lindex expanded into two new countries in September: Serbia and Croatia. Five new franchising

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Turning ideas into products through cooperation

Transforming an idea into a commercial product may take up to a year, but sometimes the process only takes between six and eight weeks. Lindex and Seppälä have altogether about 50 fashion designers who study trends and sketch the first ideas. After the ideas have been put on paper, the product development staff in the purchasing offices examine different materials and draw up a list of options suitable for the products. Therefore, the work of the designers is closely integrated with the production process from the start.

Cooperation between designers and buyers is also important. Buyers determine the retail prices for the products and the size of the orders. It is then the task of the purchasing offices to make the production arrangements.

"The purchasing office selects the factory, using such factors as the price, available capacity and the expertise possessed by the plant as criteria," Hedberg explains.

The country of production is often selected during the early stages of the design process, when the product development staff make suggestions for materials. Different countries have their own strengths. India has special expertise in the production of decorated and embroidered items, while Pakistan is an expert in manufacturing jeans. Bangladesh is well-suited for making volume products, such as cotton t-shirts, while the Chinese are good at turning out products that require precision, such as bras. Turkey has the best location for making products that have to be put on the market quickly.

Close co-operation between the purchasing offices and designers ***means higher profitability.***

stores were also opened in Saudi Arabia and the United Arab Emirates. At the end of the year there were in total 30 franchising stores in six countries, run by four partners.

Seppälä opened four new stores in 2012: two in Finland, one in Russia and one in Estonia. In addition 13 unprofitable stores were closed down. Seppälä is still the fashion chain with the widest store coverage in Finland with stores in almost 90 municipalities. In Russia there are stores in 16 different cities. In total there were 220 stores in five countries at the end of the year.

The Fashion Chain Division's capital expenditure was EUR 22.0 million in total in 2012, most of which was used in new store openings. Expanding the store network will continue in 2013, when around 20 new Lindex stores will be opened.

The online stores and IT system projects will also be focused on in the future. Online retail is a growing market area for both the Lindex and Seppälä brands. At the moment Lindex's online store functions in 28 countries and Seppälä's store in Finland. The online store also supports the traditional stores: customers can pick up products bought online at the store of their choice free of charge. Websites and social media play a central role in publicising new trends and marketing campaigns. Moreover, Seppälä's loyal customers, i.e. almost a million Seppälä Club members, get to hear about current offers via email newsletters and text messages. At the end of 2012, Lindex launched a new customer loyalty programme called More at Lindex in Norway.

Making operations more efficient in 2013

The uncertain market development creates challenges for the Stockmann Group's fashion chains in 2013; especially the demand for women's and men's wear is closely related to consumer confidence and buying power. In both fashion chains the focus will be strongly on improving the collections for women. An inspiring store atmosphere is also central in attracting more visitors to the stores.

Combining Seppälä and Lindex into one business division creates new possibilities for both fashion chains. An essential part of improving profitability is the careful planning of buying to correspond with demand. A new planning system for buying, which will help to optimise the amount of bought merchandise and its allocation between countries and stores, is being taken into use at Seppälä. Based on Lindex's good experiences, the optimised buying is estimated to boost Seppälä's gross margin already in 2013.

Close relations with goods suppliers provide an important competitive advantage.

Interesting collections sell well

Even though the garment suppliers selected by the purchasing offices are responsible for the raw material purchases, the purchasing offices are often involved in the negotiations so that Stockmann can secure the best possible price. In order to ensure competitive prices even for small production batches, Stockmann may combine purchases of various sizes, involving different brands, into large orders. The largest orders involve hundreds of thousands of pieces.

There was a steep increase in the price of cotton, an important raw material for fashion companies, in 2010–2011. In addition, the lack of production capacity resulting from the sudden price rise and the delays caused by the capacity shortfall had a bigger impact on the sector.

"For this reason, close relations with garment suppliers are an important competitive advantage for us. They help us to ensure sufficient production capacity of high quality at all times."

In addition to raw material prices and availability of capacity, such factors as changes in exchange rates also have an impact on the profitability of fashion chains. However, by far the biggest factor impacting the profits is the attractiveness of the collections. The stores must have the right products at the right time – the products which the consumers are prepared to pay the full price for. This can

COOPERATION GIVES *more strength for success*

The Stockmann Group's organisation was renewed in summer 2012 when Lindex and Seppälä formed a new Fashion Chain Division. The target is to work together to achieve more efficient operations in the international market. Both the Lindex and Seppälä brands will remain in operation and they will continue to be developed according to their unique identities.

When the new division started operations, three common development projects were soon agreed on to reach the future goals. *Seppälä's brand renewal* is important to the entire division's success. The project is comprehensive: the core target group will be redefined and a new marketing strategy, product selection, and store concept will be created. The project is well under way; in autumn 2012 a new brand platform was defined and a new advertising agency was selected. The first results are expected in the summer of 2013 when the new marketing look will be visible in campaigns. The target is to introduce a new, international Seppälä brand that attracts customers with valued collections and stunning stores.

The new division searches for *synergies between Lindex and Seppälä*, shares the best practices, and utilises the strengths of both fashion chains to improve cooperation. Economies of scale can especially be found in support functions, which are finance, IT, security, logistics, corporate social responsibility, human resources, and communications.

The third important project in the Fashion Chain Division relates to *Seppälä's transition to Lindex's ERP and financial system* in the future. The project requires a full review of processes within store operations, buying, logistics, and financial administration. Renewing Seppälä's IT systems and processes according to the Lindex model will take many years. After the implementation, however, it will be possible to improve the efficiency of almost all the operations.

> ”2013 *is all about* ***bold attitude*** *and* ***courage."***
>
> Nina Laine-Haaja, CEO of Seppälä

The target is to work **TOGETHER TO ACHIEVE** *more efficient operations.*

24/7

be achieved through seamless cooperation between the designers, the buyers and the purchasing offices. This is one of the main competitive advantages of the Fashion Chain Division.

Corporate social responsibility increasingly important

There are three major changes under way that will affect the operations of Stockmann's purchasing offices. First of all, there will be less dependence on China, as the country is becoming more expensive. Stockmann is looking for new competitive production locations in Asia.

Secondly, garment suppliers located closer to stores are becoming more important as this makes quick deliveries possible.

The Fashion Chain Division is also putting more emphasis on corporate social responsibility. Purchasing offices review the operating models and quality levels of each plant that they use before any orders are placed. Continuous partnership requires extensive auditing and adherence to strict criteria. The audits cover issues such as the employees' working conditions and environmental matters.

"We do not merely ensure that the factories meet our requirements; we also want to help them to improve their operations. For example, we have programmes that help our partners to

9 MILLION pieces of clothing were made of organic cotton or recycled fibre in 2012.

KEY FIGURES

EUR mill.	2012	2011	Change %
Revenue	**814.0**	767.9	6
Gross margin, %	**61.5**	60.8	
Operating profit	**50.0**	42.6	17
Operating profit, %	**6.1**	5.6	
Return on capital employed, %	**4.7**	4.1	
Investments	**22.0**	28.0	-21
Personnel, average	**6 317**	6 291	0
Number of stores	**689**	675	2

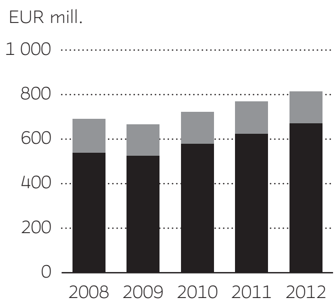
FASHION CHAIN DIVISION'S REVENUE BY MARKET 2012

- 66% Sweden and Norway
- 21% Finland
- 7% Baltic countries and Central Europe
- 6% Russia

FASHION CHAIN DIVISION'S REVENUE BY MERCHANDISE AREA 2012

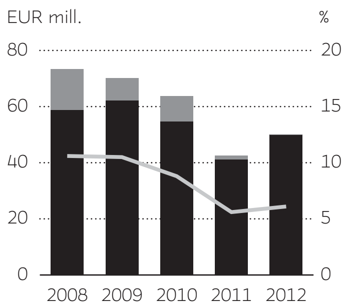
- 62% Ladies' fashion
- 30% Children's fashion
- 2% Men's fashion
- 6% Cosmetics

FASHION CHAIN DIVISION'S REVENUE 2008–2012



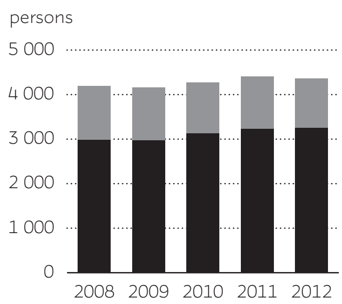
- Seppälä
- Lindex

FASHION CHAIN DIVISION'S OPERATING PROFIT 2008–2012



- Seppälä
- Lindex
- % of revenue

FASHION CHAIN DIVISION'S STAFF* 2008–2012



- Seppälä
- Lindex

* Average number converted to full-time staff

The Stockmann Group has been a member of the *Business Social Compliance Initiative* (BSCI) since

2005

The aim of the BSCI is to harmonise the manner in which suppliers are monitored and to improve the working conditions in their factories.

use water more efficiently in both cotton growing and the production processes," says Hedberg.

Stockmann has compliance officers in each of its purchasing offices. Their task is to monitor production processes and to ensure that the operations are on a responsible basis.

Smooth production is in the interests of all parties

This morning, Hedberg started her working day at seven by calling the purchasing offices where it is already afternoon. Stockmann's purchasing offices have a staff of about 140.

"Our aim is to have a common idea of how fashion trends develop and how they influence the division of responsibilities between the purchasing offices. The wishes of our designers and buyers are reflected in the work of the purchasing offices. If, for example, the designers want more top fashion products or short turnaround times, we will act accordingly."

Hedberg spends between 70–80 days each year at purchasing offices and at meetings with garment suppliers. Efficient management of the network of suppliers requires transparency on both sides – unexpected developments are usually costly.

"Smooth production is in the interests of both parties. We know we are doing well when the goods flows are in constant motion." ■

CORPORATE GOVERNANCE STATEMENT OF THE STOCKMANN GROUP

Stockmann complies in its decision-making and corporate governance with the Finnish Companies Act, the Finnish Corporate Governance Code, the rules of the company's Articles of Association, the NASDAQ OMX Helsinki Guidelines for Insiders, and other applicable legislation and rules. The Corporate Governance Code can be accessed on the website of the Securities Market Association at cgfinland.fi. Stockmann adheres to the Code in full.

This Corporate Governance Statement of the Stockmann Group is compiled in accordance with the Code's recommendation 54 and it is also accessible on the company's website stockmanngroup.com. The statement covers the corporate bodies of the parent company Stockmann plc, which are responsible for the Group's administration and operations. These corporate bodies are the general meeting of shareholders, the Board of Directors and the chief executive officer (CEO). It also deals with the election and working processes of the Board of Directors, the Board Committee's duties, Stockmann's management organisations and compensation of the Board and senior management. In addition, Stockmann publishes a remuneration statement according to the Code's requirements.

General Meeting of Shareholders

The highest decision-making body of Stockmann plc is the general meeting of shareholders. The Annual General Meeting shall be held each year before the end of June. The Annual General Meeting for 2012 was held on 15 March 2012 in Helsinki. All the members of the Board of Directors and the company's auditors were present at the Annual General Meeting. There were 967 shareholders present personally or represented by proxy at the meeting.

Stockmann has two series of shares, of which each Series A share confers ten votes at a general meeting and each Series B share one vote. The Notice of Annual General Meeting, the documents and the proposals for the decisions at the Annual General Meeting are accessible for the shareholders at least three weeks prior to the meeting at the company's headquarters and at the website stockmanngroup.com.

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 as well as decides on release from responsibility for the members of the Board of Directors and the CEO.

Board of Directors

Under Stockmann's Articles of Association, the company's Board must have at least five and no more than nine members. The term of Board members begins from the Annual General Meeting in which they are elected and ends at the conclusion of the subsequent Annual General Meeting. The Board of Directors elects amongst its members a chairman and a vice chairman. The present Board has eight members, which were elected at the Annual General Meeting 2012 and of which none is full-time: as Board members continued Chairman Christoffer Taxell, Kaj-Gustaf Bergh, Eva Liljeblom, Kari Niemistö, Charlotta Tallqvist-Cederberg, Carola Teir-Lehtinen and Dag Wallgren. Managing Director Per Sjödell was elected as a new member. M.Sc. (Eng.) Erkki Etola (b. 1945), Managing Director for Oy Etola Ab, was Vice Chairman of the Board and member of the Board's Appointments and Compensation Committee until the Annual General Meeting 2012. M.Sc. (Econ.), managing director, Kari Niemistö was elected as new Vice Chairman at the Board's organising meeting.

To be elected as a member of the Board, a person must have the qualifications required for the duties and sufficient time to carry them out. The majority of Board members must also be independent of the company, and at least two of these members must also be independent of major shareholders of the company. Additional information on the members of the Board of Directors is available on pages 26 and 27.

Duties of the Board

The duties and liabilities of the Board are determined by the Articles of Association, the Limited Liability Companies Act and other applicable legislation. The Board of Directors attends to the company's administration and ensures the appropriate organisation of its operations. The Board must also ensure that supervision of the company's accounting and financial management is appropriately arranged.

It is the Board's duty to promote the interests of the company and all of its shareholders. In order to carry out its duties, the Board:

- convenes general meetings of shareholders
- directs and oversees the company's management
- appoints and discharges the company's chief executive officer
- approves the chief executive officer's service agreement and other benefits
- approves the salaries and other benefits of the executives in the Group Management Committee
- approves the company's risk management principles
- approves the company's long-term strategic and financial objectives
- approves the budget
- decides on significant individual investments and corporate and property acquisitions.

The Board conducts an annual self-evaluation of its working practices under recommendation 7 of the Finnish Corporate Governance Code. The results of the evaluation are used to develop the Board's working processes.

The Board of Directors has adopted rules of procedure defining the principles governing the Board's composition and method of election, its tasks, decision-making procedure and meeting practice as well as the principles of the Board's self-assessment.

Board meetings

Of the company's active management, the following regularly attend the Board meetings: the CEO, the executive vice presidents, the director for the Fashion Chain Division, and the director of legal affairs acting as secretary at the meeting. Two staff representatives, Rolf Feiring and Rita Löwenhild, also attend. One of these is elected by Stockmann's Group Council and the other by the association representing Stockmann's senior salaried employees. The staff representatives are not members of the Board. The Board of Directors convened 10 times in 2012. The rate of attendance was 98 per cent.

Board Committees

The Board has established an Appointments and Compensation Committee. It attends to the duties defined in recommendations 28–30 of the Finnish Corporate Governance Code as being the responsibility of the Appointments Committee, and in recommendations 31–33 as being the responsibility of the Compensation Committee. The Board attends to the duties of the Audit Committee referred to in recommendations 24–27.

The duties of the Appointments and Compensation Committee are the preparation of appointment and compensation matters concerning the CEO, the executive vice presidents and the other members of the Management Committee, preparations concerning the election of members of the Board of Directors for proposal to the general meeting of shareholders, and the preparation of compensation matters concerning the Board of Directors. The Committee meets as necessary, but at least once a year.

The Appointments and Compensation Committee comprises four members of the Board of Directors, who are independent of the company. In March 2012 the Board re-elected Christoffer Taxell as the Committee's Chairman, and elected managing director Kari Niemistö, managing director Charlotta Tallqvist-Cederberg and managing director Dag Wallgren as its other members. The CEO has the right to attend meetings of the Committee.

In February 2013 the Committee gave its proposal for the Annual General Meeting, to be held on 21 March 2013. According to the proposal Managing Director Kjell Sundström is elected as a new Board member. Managing Director Kaj-Gustaf Bergh is no longer available as a Board member. It is proposed that all other Board members continue to serve on the Board.

In addition, the Committee proposes the following compensation be paid to the Board members: to the Chairman of the Board EUR 76 000, to the Vice Chairman of the Board EUR 49 000, and to each Board member EUR 38 000. In addition there will be a EUR 500 compensation for each meeting. Around 50 per cent of the yearly compensation is paid in company shares and the rest in money. There are no special terms relating to the owning of the shares.

The Committee met six times during the financial year 2012. The rate of attendance was 100 per cent.

Chief Executive Officer

The Board of Directors appoints the company's chief executive officer (CEO) and decides on the terms and conditions of the post. These terms and conditions are set forth in writing in a CEO agreement. The CEO is in charge of the company's operations in accordance with the instructions and regulations issued by the Board of Directors. The Board assesses the CEO's work and decides on the remuneration and benefits of the CEO.

Hannu Penttilä has been the company's CEO since 1 March 2001. He has been in Stockmann's service since 1978. Information on the CEO's remuneration is available in the tables on pages 24 and 25.

Other Executives

In addition to the CEO, the Board of Directors appoints the executive vice presidents and the other members of the Management Committee. Maisa Romanainen, Director of the Department Store Division and Pekka Vähähyyppä, Chief Financial Officer (CFO), have acted as the company's Executive Vice Presidents since 6 November 2008.

The Group's Management Committee comprises 8 members including the CEO, who the members of the Committee report to. The director of legal affairs acts as secretary to the Management Committee. The Committee convenes regularly to discuss the Group strategy, business plans and earnings development.

From the beginning of 2013 the following members form the Management Committee: CEO Hannu Penttilä, Executive Vice President, Director for the Department Store Division Maisa Romanainen, Executive Vice President, CFO Pekka Vähähyyppä, Director for the Fashion Chain Division, CEO of Lindex Göran Bille, Development Director for the Group's International Operations Lauri Veijalainen, Director of Legal Affairs Jukka Naulapää, and as a new member HR Director Heini Pirttijärvi. CEO of Seppälä Nina Laine-Haaja left the Committee on 31 December 2012.

Headed by the CEO, the Management Committee is responsible for directing operations and for preparing strategic and financial plans. Information on the remuneration of management is available in the tables on page 25.

Internal control and internal audit

Internal control is under the Board of Director's responsibility. Internal control's function is, for example, to ensure the efficiency and profitability of operations, the reliability of information, and adhering to rules and regulations. Internal control is a part of day-to-day management and company administration.

An essential part of internal control is the Internal Audit, which operates as a separate unit under the CEO and reports its observations to the Board of Directors. The Internal Audit supports the Group's management in directing operations by inspecting and evaluating the efficiency of business operations, risk management and internal control, and by producing information and recommendations to enhance efficiency. Internal Audit also inspects the processes of business operations and financial reporting. Internal Audit's directive has been approved by Stockmann's Board of Directors. The operations of the Internal Audit are guided by being risk-focused and emphasising the development of business operations.

Risk management

The Board of Directors has approved the company's risk management principles.

Their goal is to secure the Group's earnings development and to ensure the company may operate without any disturbances by controlling risks in a cost efficient and systematic manner in all divisions. Risk management is a part of Stockmann Group's day-to-day operations and management. Risk management is supported by internal control systems and directions. Risk management directions have been drawn up for e.g. IT and information security, finance operations, environmental issues, malpractice, security, and insurances.

The Group's Management Committee evaluates risks for business operations and the sufficiency of risk management actions as a part of the strategy process. The divisions' management committees are responsible for making financial and strategic plans in their own units; analysing risks in operations and evaluating actions for their management is a part of strategy planning. Risks for business operations are also analysed outside the strategic process, especially in connection with significant projects and investments. They are reported to the Board of Directors as needed.

The Group has a risk management steering group, whose task it is to support business operations in recognising and managing such risks that may endanger or prevent the Group from achieving its strategic goals. The steering group, which comprises the company's head of internal audit, director of legal affairs and group consolidation manager, reports its findings and recommendations to the Group's Management Committee.

The most significant risk factors and uncertainties are covered in the Report by the Board of Directors.

Main features of the internal control and risk management systems pertaining to the financial reporting process

The company's Board of Directors is responsible for the implementation of internal control in regard to financial reporting and attends also to the duties of the Audit Committee. The Group's CFO and the Finance and Control Department are responsible for ensuring that the Group's financial reporting is undertaken. Group-level directions are complied with in Stockmann's financial reporting. The reporting is based on information from commercial and administrative processes and data produced by the financial management systems. The Group's Finance and Control Department determines the control measures applied to the financial reporting process. These control measures include various directions, process descriptions, reconciliations, and analyses used for ensuring the validity of the information used in the reporting and the validity of the reporting itself.

The financial reporting results are monitored and any anomalies in relation to forecasts or in comparison with the previous year's figures are analysed on a regular basis. Such analyses are used to detect any reporting errors and to produce materially accurate information on the company's finances.

The divisions and the Group's Finance and Control Department are responsible for the effectiveness of control within their own sphere of responsibility. The Group's Finance and Control Department is responsible for assessments of the reporting processes. Assessment of the risks pertaining to financial reporting and the related management measures are determined as a part of the risk management process.

Audit

The auditors elected by the General Meeting examine the company's accounting records, financial statements and administration. The company has a minimum of one and a maximum of three auditors, who have a minimum of one and a maximum of three deputies. The term of the auditors begins from the Annual General Meeting in which they were elected, and ends at the end of the next Annual General Meeting.

The Annual General Meeting of 2012 elected Jari Härmälä, Authorized Public Accountant, Stockmann's regular auditor since 2007 and Henrik Holmbom, Authorized Public Accountant, Stockmann's regular auditor since 2003, both representing KPMG, as regular auditors and KPMG Oy Ab, Authorized Public Accountants, as the deputy auditor. At the moment KPMG, Authorized Public Accountants acts as auditors for all the company's subsidiaries in all countries of operation. The remuneration in 2012 relating to the auditing process was EUR 0.7 million and EUR 0.5 million for tax counseling and other services.

Approved by the Board of Directors of Stockmann plc on 12 February 2013

TERMS AND CONDITIONS OF THE CEO AGREEMENT

Incentive pay systems	Stockmann's CEO is covered by the 2010 Key personnel share options scheme. The terms of the share option scheme can be found at stockmanngroup.com.
Age of retirement	The CEO has a right to retire when turning 60. It has been agreed in 2012 to continue Hannu Penttilä's CEO term from April 2013 onwards under an agreement that remains valid until further notice.
Retirement benefits	The CEO's pension is determined on the basis of TyEL insurance under the Employees Pensions Act (TyEL), and a separate insurance taken by the company. The pension is 60 per cent of the pensionable salary, which is determined on the basis of the earnings in 2009–2012 and as an average of the two middle years of these. Pension payments of the supplementary pension begin when the CEO retires. The insurance cost was EUR 325 960 in 2012 (2011: EUR 160 135).
Ending the contract and compensation upon termination	The CEO's post is subject to a period of notice of 6 months applicable to both parties. Should the company give notice of termination, the CEO has the right to compensation equivalent to 12 months' fixed salary after the notice period has expired. An additional compensation upon termination is not paid after the CEO has turned 60.

REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS IN 2012, EUR AND SHARES

	Fixed annual fees*, EUR	Fees paid for attendance, EUR	Committee attendance fees, EUR	Remuneration in cash in total, EUR	Number of shares	Share value, EUR
Christoffer Taxell (Chairman)	76 000	4 500	3 000	83 500	2 088	34 971.96
Kari Niemistö (Vice Chairman)	49 000	4 500	1 000	54 500	1 658	26 631.50
Kaj-Gustaf Bergh	38 000	4 000	–	42 000	1 155	19 522.50
Eva Liljeblom	38 000	4 500	–	42 500	753	12 730.00
Per Sjödell**	38 000	2 500	–	40 500	1 462	24 704.90
Charlotta Tallqvist-Cederberg	38 000	4 500	3 000	45 500	1 619	27 360.00
Carola Teir-Lehtinen	38 000	4 500	–	42 500	1 425	23 565.57
Dag Wallgren	38 000	4 500	3 000	45 500	899	15 200.00
Erkki Etola***	–	2 000	2 500	4 500	–	–
Board members, total	**353 000**	**35 500**	**12 500**	**401 000**	**11 059**	**184 686.43**

* Around 50% of the compensation is paid in company shares.
** Elected as a new member of the Board in Annual General Meeting 2012.
*** Board member until Annual General Meeting 2012.

SHARES AND SHARE OPTIONS OF THE MANAGEMENT 31 DECEMBER 2012*

	Shares		**Share options**		
	Series A	Series B	2010A	2010B	2010C
Hannu Penttilä	111	15 036	40 000	27 000	27 000
Pekka Vähähyyppä		5 813	24 000	16 000	16 000
Maisa Romanainen		1 500	24 000	16 000	16 000
Göran Bille		15 877	24 000	16 000	16 000
Nina Laine-Haaja	450	110	6 000	4 000	12 000
Lauri Veijalainen		1 125	18 000	12 000	12 000
Jukka Naulapää			12 000	8 000	12 000
Heini Pirttijärvi		1 164	10 000	6 600	6 600
Management Committee, total	**561**	**40 625**	**158 000**	**105 600**	**117 600**

* Including the Stockmann plc shares and share options in the personal ownership as well as in the ownership of their related persons.

REMUNERATION OF CEO
AND OTHER MANAGEMENT COMMITTEE MEMBERS

EUR	**2012**	2011
CEO		–
Fixed salary	**606 320**	585 369
Incentive pay	**–**	55 220
Fringe benefits	**20 880**	19 100
In total	**627 200**	659 689
Other management committee members		
Fixed salary	**1 763 356**	1 734 024
Incentive pay	**12 268**	141 912
Fringe benefits	**76 647**	67 090
In total	**1 852 271**	1 943 026

Additional information
on the members of the Board of Directors, the CEO and the members of the Management Committee as well as the rules of procedure of the Board and the Board's Appointments and Compensation Committee are available at
stockmanngroup.com

BOARD OF DIRECTORS

Christoffer Taxell
b. 1948
Finnish citizen
LL.M.

Chairman of the Board since 2007, member since 1985
Chairman of the Board's Appointments and Compensation Committee

Independent of the company
Shareholding 31 Dec. 2012:
A 2 375, B 14 956
Principal positions of trust:
Föreningen Konstsamfundet r.f, member of the Board 1996–, chairman of the Board 2004–; Stiftelsen för Åbo Akademi, member of the Board 1988–2012, chairman of the Board 2003–2012; Sampo plc, member of the Board 1998–; Rettig Group Ltd, member of the Board 2012–

Kari Niemistö
b. 1962
Finnish citizen
M.Sc.(Econ.)

Managing Director, Selective Investor Oy Ab

Vice Chairman of the Board since 2012, member since 1998
Member of the Board's Appointments and Compensation Committee

Independent of the company and major shareholders
Shareholding 31 Dec. 2012:
A 3 168 650, B 1 028 496
Principal positions of trust:
Ars Fennica Art Foundation, chairman of the Board 2004–; Oy Dextra Ab, chairman of the Board 2003–; Raisio plc, member of the supervisory Board 2008–

Kaj-Gustaf Bergh
b. 1955
Finnish citizen
LL.M., B.Sc.(Econ.)

Managing Director, Föreningen Konstsamfundet r.f.

Member of the Board since 2007

Independent of the company
Shareholding 31 Dec. 2012:
A 1 077, B 7 828
Principal positions of trust:
Ramirent Plc, member of the Board 2004–; Fiskars Corporation, chairman of the Board 2006–; Veritas Pension Insurance Company Ltd, member of the Board 2007–; Wärtsilä Corporation, member of the Board 2007–; Ålandsbanken Plc, chairman of the Board 2012–

Eva Liljeblom
b. 1958
Finnish citizen
D.Sc.(Econ.)

Rector, Professor, Hanken School of Economics

Member of the Board since 2000

Independent of the company and major shareholders
Shareholding 31 Dec. 2012:
A 257, B 7 731
Principal positions of trust:
Municipality Finance Plc, chairman of the Board 2011–; Fennia Mutual Insurance Company, member of the Board 2003–; Veikkaus Oy, member of the Board 2010–

Per Sjödell
b. 1972
Swedish citizen
M.Sc.(Econ.)

Managing Director, Fiskars Sverige AB

Member of the Board since 2012

Independent of the company and major shareholders
Shareholding 31 Dec. 2012:
B 1 885
Principal positions of trust:
Nils Johan AB, member of the Board 2012–; Fiskars Sweden AB, member of the Board 2012–

Charlotta Tallqvist-Cederberg
b. 1962
Finnish citizen
M.Sc.(Econ.)

Managing Director, CTC Consulting Oy Ab

Member of the Board since 2010
Member of the Board's Appointments and Compensation Committee

Independent of the company
Shareholding 31 Dec. 2012: B 4 697
Principal positions of trust: Handelsbanken Rahasto-yhtiö Oy, member of the Board 2012–

Carola Teir-Lehtinen
b. 1952
Finnish citizen
M.Sc.

Professional Board member

Member of the Board since 2004

Independent of the company and major shareholders
Shareholding 31 Dec. 2012: B 9 257
Principal positions of trust: The Finnish Children and Youth Foundation, member of the Committee 2004–; Sweco AB (publ), member of the Board 2011–; Arcada Foundation, vice chairman of the Board 2011–; WWF Finland, member of the supervisory Board 2011–

Dag Wallgren
b. 1961
Finnish citizen
M.Sc.(Econ.)

Managing Director, Svenska litteratursällskapet i Finland r.f.

Member of the Board since 2011
Member of the Board's Appointments and Compensation Committee

Independent of the company
Shareholding 31 Dec. 2012: B 2 687
Principal positions of trust: Aktia Plc, chairman of the Board 2010–; Söderströms & C:o förlags Ab, member of the Board 2009–; Veritas Pension Insurance Company Ltd, member of the supervisory Board 2012–

Personnel representatives
At meetings of the Board of Directors, personnel representatives have the right to attend and to speak. They are not members of the Board of Directors.

Rolf Feiring
b. 1979
Finnish citizen
B.Sc.(Econ.)

Administrative Manager, Department Store Division

Personnel representative on the Board, elected by Stockmann's senior salaried employees.

Rita Löwenhild
b. 1952
Finnish citizen

Chief shop steward, Department Store Division

Personnel representative on the Board, elected by Stockmann's Group Council.

Details of the Board of Directors at 31 Decmber 2012. More information on the main job experience of the Board of Directors and their principal positions of trust is available on Stockmann's website **stockmanngroup.com**

MANAGEMENT COMMITTEE

Hannu Penttilä
b. 1953, LL.M.
CEO 2001-

Joined Stockmann in 1978
Essential job experience: Stockmann, Executive Vice President 1994–2001, Director, Department Store Division 1992–2001, Director, Helsinki department store 1986–1991, Director, Tapiola department store 1985–1986, Lawyer 1978–1984
Principal positions of trust: Mutual Insurance Company Kaleva, member of the Supervisory Board 1995–; Nokia Tyres plc, member of the Board 1999–; Varma Mutual Pension Insurance Company, member of the Supervisory Board 2001–; Jääkiekon SM-liiga Oy, chairman of the Board 2012–

Pekka Vähähyyppä
b. 1960, M.Sc.(Econ.), EMBA
Executive Vice President 2008- and CFO 2000-

Joined Stockmann in 2000
Essential job experience: Svenska Nestlé, CFO 1997–2000; Nestlé Norden, Head of Finance and Control 1997–2000; Suomen Nestlé, CFO 1994–1997; OKO Venture Capital, Director 1990–1994
Principal positions of trust: Lyy-Invest Oy, member of the Board 2002–; Leinovalu Oy, vice chairman of the Board 2010–; Hartela-yhtiöt Oy, member of the Board 2012–

Maisa Romanainen
b. 1967, M.Sc.(Econ.)
Executive Vice President and Director for the Department Store Division 2008-

Joined Stockmann in 1996
Essential job experience: Stockmann, Director, department stores in Finland and the Baltic countries 2008, Director, department stores abroad 2005–2007, Director, Tallinn department store 2000–2005, Director, Smolenskaya department store, Moscow 1998–2000
Principal positions of trust: The Finnish Grocery Trade Association, member of the Board 2008–; Tuko Logistics Cooperative, member of the Board 2009–; Atria Plc, member of the Board 2010–

Göran Bille
b. 1955, B.Sc.(Econ.)
Director, Fashion Chain Division 2012–,
CEO, Lindex 2004–

Joined Stockmann in 2007
Essential job experience: H&M Rowells, Managing director 2003–2004; H&M, Country Manager, Sweden 1998–2003, Buying Manager 1987–1998
Principal positions of trust: Gunnebo Ab (publ), member of the Board 2008–; Synsam Nordic Ab & Synsam Holding Ab, member of the Board 2008–

Nina Laine-Haaja
b. 1961, EMBA
Member of the Management Committee until 31 December 2012.
CEO, Seppälä 2012–

Joined Stockmann in 1986
Essential job experience: Seppälä, Director, store operations 2006–2011, Member of the Management Committee 2001–, Field Manager 1994–2006

Lauri Veijalainen
b. 1968
Development Director for the Group's international operations 2010–

Joined Stockmann in 2010
Essential job experience: Ikea Russia and CIS, Chief Financial Officer 2003–2010; Skanska Moscow, CFO and Administrative Director 1998–2003
Principal positions of trust: Veikkaus Oy, member of the Board 2012–

Jukka Naulapää
b. 1966, LL.M.
Director, Legal Affairs 2006–

Joined Stockmann in 1998
Essential job experience: Stockmann, Secretary to the Management Committee 2001–, Lawyer 1998–2006; Law Firm Hepo-Oja & Lunnas Oy, Attorney 1991–1998

Heini Pirttijärvi
b. 1966, M.Sc.(Econ.)
Member of the Management Committee from 1 January 2013.
HR Director 2011–

Joined Stockmann in 1993
Essential job experience: Stockmann, HR Director, Department Store Division 2009–, Sales Director, Helsinki Department Store 2005–2007, Director, Tapiola department store 2004–2005, Sales Manager, Helsinki Department Store 1996–2003

Details of the members of the Management Committee at 31 December 2012.

Information on the remuneration of the Board of Directors and the Management Committee is available on page 25 of the Annual Report.

Up-to-date information on shares and share options in the ownership of the members of the Board of Directors and the Management Committee is available on the website **stockmanngroup.com**

The full financial statements including the notes are available on the website stockmanngroup.com.

REPORT **BY THE BOARD OF DIRECTORS**

The Stockmann Group's consolidated revenue grew by 5.5 per cent to EUR 2 116.4 million (EUR 2 005.3 million). Operating profit was up EUR 17.3 million to EUR 87.3 million (EUR 70.1 million). Profit for the year was EUR 53.6 million (EUR 30.8 million). Earnings per share came to EUR 0.74 (EUR 0.43). The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.60 per share be paid.

REVENUE AND EARNINGS

The unstable state of the European economy and the unresolved debt crisis created uncertainty in 2012. Consumer confidence weakened in particular in Finland where the retail market growth slowed down in the second half of 2012. The performance of the market for affordable fashion was poor during most of the year in Stockmann's main markets in Sweden, Norway and Finland. The general market environment in Russia and the Baltic countries remained relatively good and growth in the retail market continued.

The Stockmann Group's revenue for the financial year was up by 5.5 per cent to EUR 2 116.4 million (2011: EUR 2 005.3 million). Revenue improved in both divisions and in all market areas. Revenue in Finland was up by 2.1 per cent to EUR 1 048.2 million (EUR 1 026.2 million). Revenue in other countries amounted to EUR 1 068.2 million (EUR 979.1 million), an increase of 9.1 per cent. The Swedish krona, the Norwegian krone and the Russian rouble all strengthened against the euro. If like-for-like exchange rates are used, the Group's revenue abroad grew by 6.1 per cent. Revenue abroad accounted for 50.5 per cent (48.8 per cent) of the Group's total revenue. This was the first year in Stockmann's history when revenue from international operations was higher than revenue from Finland. Revenue growth was strongest in the department stores in Russia and in Lindex's new markets.

Other operating income was EUR 0.6 million (EUR 0.2 million) due to a sale of a real estate property in Helsinki in October.

The Group's gross profit for the financial year grew by EUR 70.3 million, to EUR 1 047.2 million (EUR 976.9 million). The gross margin was 49.5 per cent (48.7 per cent) and it improved in both divisions. Operating costs were up by 6.8 per cent, or by EUR 56.6 million, to EUR 886.0 million (EUR 829.4 million). The share of operating costs was 41.9 per cent (41.4 per cent) of revenue. Changes in the presentation of the income statement somewhat increased the reported gross margin and correspondingly increased the reported other operating costs. Depreciation was EUR 74.5 million (EUR 77.7 million).

The Group's operating profit for the financial year was up by EUR 17.3 million, to EUR 87.3 million (EUR 70.1 million). The Department Store Division and Lindex clearly improved their operating profit while Seppälä's operating result was weaker than in 2011. In all, operating profit improved in Sweden, the Baltic countries and in particular in Russia, but declined in Finland.

Net financial expenses for the financial year were down by EUR 2.0 million, to EUR 32.4 million (2011: EUR 34.4 million). The decline was mainly due to non-recurring foreign exchange gains that amounted to EUR 0.6 million, while in 2011 non-recurring exchange losses were EUR 1.1 million.

Profit before taxes for the financial year was EUR 54.9 million (EUR 35.7 million). Income taxes were EUR 7.0 million (EUR 4.7 million). Taxes were reduced by a tax credit following an exchange rate loss and a decline in deferred tax liability due to a lowered corporate tax rate in Sweden as of 1 January 2013. In total, taxes for the year amounted to EUR 1.4 million (EUR 4.9 million). Profit for the year was EUR 53.6 million (EUR 30.8 million).

Earnings per share for the financial year amounted to EUR 0.74 (EUR 0.43), and, diluted for share options, EUR 0.74 (EUR 0.43). Equity per share was EUR 12.40 (EUR 12.11).

REVENUE AND EARNINGS BY DIVISION

Department Store Division

The Department Store Division's full-year revenue was up by 5.3 per cent, to EUR 1 302.7 million (EUR 1 236.9 million). Revenue in Finland was up by 2.3 per cent to EUR 881.2 million (EUR 861.4 million). The revenue growth slowed down in the second half of the year but still the department stores increased their market share in most of the product categories.

The euro-denominated revenue of international operations increased by 12.2 per cent to EUR 421.5 million (EUR 375.6 million). In local currencies, revenue was up by 10.1 per cent. Revenue abroad accounted for 32.4 per cent (30.4 per cent) of the division's total revenue. Growth was a result of strong performance in all department stores in Russia and the Baltic countries, and in particular in St Petersburg. Revenue in the Baltic countries increased by 8.2 per cent to EUR 98.8 million (EUR 91.3 million). In Russia, revenue increased by 19.0 per cent in the department stores, to EUR 311.5 million (EUR 261.7 million), and by 13.5 per cent when including the revenue of Bestseller franchising stores of EUR 11.2 million (EUR 22.5 million). The Bestseller stores were closed during 2012.

The gross margin for the financial year remained on a good level, at 41.9 per cent (41.2 per cent). The Department Store Division's operating profit was up by EUR 12.8 million to EUR 48.0 million (EUR 35.2 million) thanks to good performance in the Baltic coun-

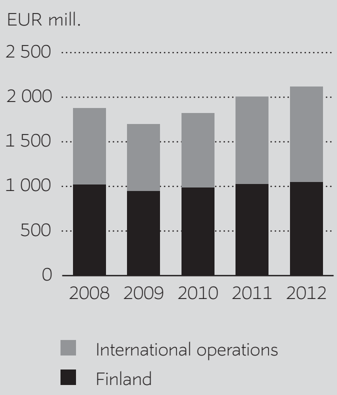
REVENUE

	2012 EUR mill.	2011 EUR mill.	Change EUR mill.	Change %
Department Store Division, Finland	**881.2**	861.3	19.9	2.3
Department Store Division, international operations	**421.5**	375.6	45.9	12.2
Department Store Division, total	**1 302.7**	1 236.9	65.9	5.3
Fashion Chain Division, Finland	**167.3**	164.4	2.9	1.8
Fashion Chain Division, international operations	**646.7**	603.5	43.2	7.2
Fashion Chain Division, total	**814.0**	767.9	46.1	6.0
Unallocated	**-0.3**	0.5	-0.8	
Operations in Finland, total	**1 048.2**	1 026.2	22.0	2.1
International operations, total	**1 068.2**	979.1	89.1	9.1
Continuing operations, total	**2 116.4**	2 005.3	111.1	5.5

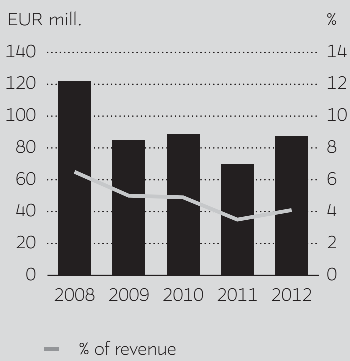
OPERATING PROFIT AND RETURN ON CAPITAL EMPLOYED (ROCE)

	2012 EUR mill.	2011 EUR mill.	Change EUR mill.	**2012 ROCE %**	2011 ROCE %
Department Store Division	**48.0**	35.2	12.8	**7.3**	4.9
Fashion Chain Division	**50.0**	42.6	7.3	**4.7**	4.1
Unallocated	**-10.6**	-7.8	-2.9		
Total	**87.3**	70.1	17.3	**5.1**	4.1

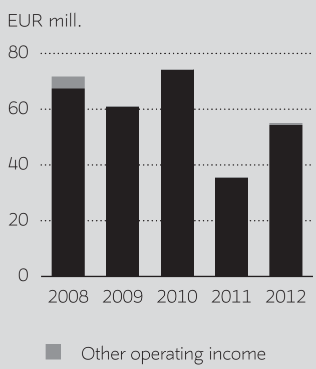
REVENUE 2008–2012



OPERATING PROFIT 2008–2012



PROFIT BEFORE TAXES 2008–2012



tries and in particular in Russia. The terminated Bestseller franchising operations made an operating result of EUR -7.3 million (EUR -5.7 million).The Department Store Division made a clearly positive operating profit in Russia even with the loss-making Bestseller stores included. In Finland the operating profit was down on 2011.

Fashion Chain Division

The Lindex and Seppälä fashion chains were combined into a Fashion Chain Division in June. The division's full-year revenue was up by 6.0 per cent, to EUR 814.0 million (EUR 767.9 million) in 2012. Revenue grew by 1.8 per cent in Finland, to EUR 167.3 million (EUR 164.4 million) and by 7.2 per cent in international operations, to EUR 646.7 million (EUR 603.5 million). Revenue outside of Finland accounted for 79.5 per cent (78.6 per cent) of the division's total revenue.

Lindex's full-year revenue totalled EUR 670.9 million (EUR 624.1 million), an increase of 7.5 per cent. In local currencies, revenue was up by 2.8 per cent. All markets except Norway increased their revenue during the year. Seppälä's revenue decreased by 0.5 per cent, to a total of EUR 143.1 million (EUR 143.8 million). Revenue was slightly down in Finland and Russia but grew in the Baltic countries.

The Fashion Chain Division's gross margin for 2012 was 61.5 per cent (60.8 per cent). Lindex's gross margin improved to 62.3 per cent (61.3 per cent), thanks to fewer price reductions. Seppälä's gross margin was 57.6 per cent (58.5 per cent). The decline was mainly due to price-driven campaigns to boost sales.

The division's full-year operating profit was up by EUR 7.3 million, to EUR 50.0 million (EUR 42.6 million). Profitability was up due to Lindex's good performance in the Nordic and the Baltic countries. Lindex's operating profit was EUR 51.0 million (EUR 41.2 million) and Seppälä's was EUR -1.0 million (EUR 1.4 million). Seppälä's operating result includes EUR 0.4 million of non-recurring expenses due to the closure of the business in Ukraine. Seppälä's operating profit improved in the Baltic countries but declined in Finland and in particular in Russia. Declined revenue combined with a lower gross margin and increased store rental costs affected negatively the operating profit. Seppälä started a comprehensive brand renewal project in the autumn, with the aim of improving operations significantly in the coming years.

FINANCING AND CAPITAL EMPLOYED

Cash and cash equivalents totalled EUR 36.1 million at the close of the year, compared with EUR 33.2 million a year earlier. Cash flow from operating activities came to EUR 123.7 million (EUR 66.2 million) in the financial year.

Net working capital excluding cash and cash equivalents amounted to EUR 117.9 million at the close of the year, compared with EUR 137.9 million a year earlier. Inventories were EUR 281.4 million (EUR 264.7 million), primarily as a result of the strengthening of the Swedish krona and increased stock level of the Department Store Division in Finland. Current receivables decreased to EUR 116.2 million (134.8 million). Non-interest-bearing liabilities amounted to EUR 278.8 million (EUR 262.2 million) mostly due to an increase in trade payables.

Most of the Group's long-term debt and assets are in the Swedish krona. As a result, the exchange rate of the Swedish krona against the euro has a direct impact on the amount of debt presented in euros. Despite the strengthening Swedish krona, interest-bearing liabilities at the close of the year stood at EUR 848.5 million (EUR 862.5 million), of which EUR 502.9 million (EUR 533.9 million) was long-term debt. In addition, the Group has EUR 369.6 million in undrawn, long-term committed credit facilities. Most of the short-term debt has been acquired in the commercial paper market.

Stockmann diversified its sources of finance and issued a EUR 150 million bond on the credit market in November, which replaced part of Stockmann's bank loans and credit facilities in advance. The bond matures on 19 March 2018 and carries a fixed coupon interest rate of 3.375 per cent per annum. The bond was listed on NASDAQ OMX Helsinki on 20 November 2012.

The equity ratio at the close of the year was 42.8 per cent (42.2 per cent), and net gearing was 90.9 per cent (95.3 per cent).

The return on capital employed over the past 12 months was 5.1 per cent (4.1 per cent). The Group's capital employed increased by EUR 9.6 million and stood at EUR 1 742.5 million (EUR 1 732.9 million) at the end of the financial year.

DIVIDENDS

In accordance with the resolution of the Annual General Meeting 2012, a dividend of EUR 0.50 per share was paid on the 2011 financial year, which came to a total of EUR 35.9 million.

At the end of the financial year, on 31 December 2012, the funds available for profit distribution on the parent company's balance sheet amounted to EUR 422.1 million, of which EUR 30.2 million was net profit for the financial year. The Board of Directors will propose to the Annual General Meeting, to be held on 21 March 2013, that a dividend of EUR 0.60 per share be paid on the 2012 financial year. The proposed dividend is 80.6 per cent of earnings per share. Under this proposal, a total of EUR 43.2 million would be paid in dividends. EUR 378.9 million would remain in unrestricted equity.

CAPITAL EXPENDITURE

Capital expenditure during the financial year totalled EUR 60.3 million (EUR 66.0 million) which was lower than depreciation at EUR 74.5 million (77.7 million).

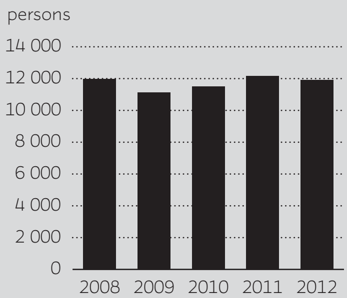
The Department Store Division's capital expenditure for the financial year totalled EUR 30.4 million (EUR 35.4 million). In 2012 the division invested EUR 12.2 million in the project to introduce a new enterprise resource planning (ERP) system. The first implementations of the new system will take place in spring 2013. A project to enlarge the Tampere department store started in the summer 2012. The target for completing the enlargement is 2014.

Stockmann closed down its Bestseller franchising operations in Russia in 2012. In total 18 Bestseller stores were closed during the year. Four Bestseller stores were converted into Lindex stores.

The Fashion Chain Division's capital expenditure for the financial year totalled EUR 22.0 million (EUR 28.0 million). Lindex opened 21 own stores and seven franchising stores in 2012. Five stores were closed during the year. In total there were 469 Lindex stores in 16 countries at the end of 2012. Seppälä opened four new stores and closed 13 stores in 2012. In total there were 220 Seppälä stores in 5 countries at the end of 2012.

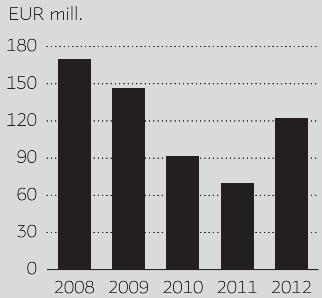
The Group's other capital expenditure came to a total of EUR 7.9 million (EUR 2.6 million). The Group's financial management systems are being replaced gradually in connection with the renewal of the Department Store Division's ERP system.

STAFF* 2008–2012

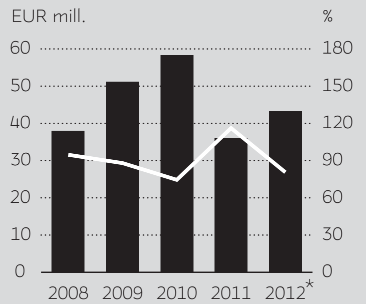


* Average number converted to full-time staff

CASH FLOW FROM OPERATING ACTIVITIES 2008–2012

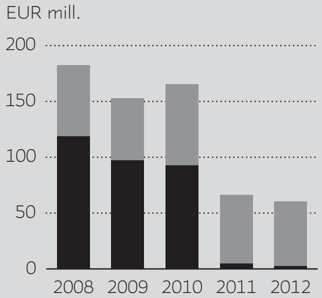


DIVIDEND FOR THE FINANCIAL YEARS 2008–2012



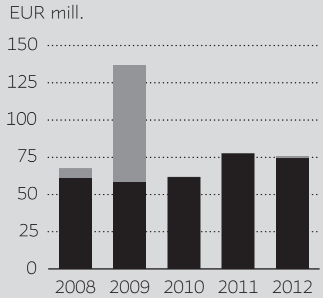
Dividend
% of earnings
* Board's proposal to AGM

INVESTMENTS 2008–2012



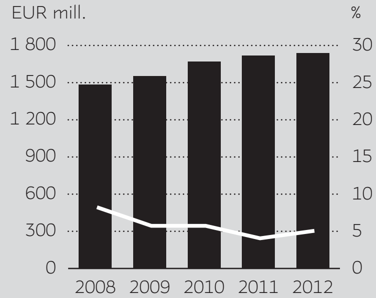
Other investments
Investments in real estate

DEPRECIATION 2008–2012



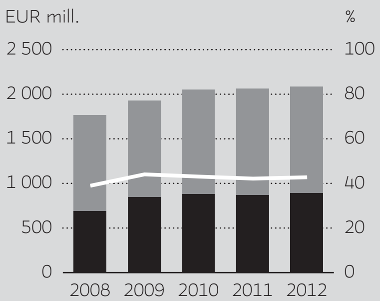
Divestments
Depreciation

CAPITAL EMPLOYED AND ROCE 2008–2012



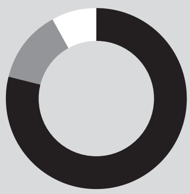
Capital employed
ROCE %

EQUITY RATIO 2008–2012



Liabilities
Shareholder's equity
Equity ratio, %

ASSETS 2012



79% Non-current assets
13% Investories
8% Current assets

EQUITY AND LIABILITIES 2012

42% Equity
41% Interest-bearing liabilities
17% Non-interest-bearing liabilities

STORE NETWORK

Stockmann Group	Total 31.12.2011	New stores in 2012	Closed stores in 2012	**Total 31.12.2012**
Department stores*	16			**16**
Bestseller stores	18		18	**0**
Stockmann Beauty stores	13		1	**12**
Other stores in Department Store Division**	9			**9**
Lindex stores	446	28	5	**469**
of which franchising	23	7		**30**
of which own stores	423	21	5	**439**
Seppälä stores	229	4	13	**220**

** Academic Bookstores are part of the department stores in Finland*
*** 4 Zara franchising stores, 1 Hobby Hall store, 3 outlets, 1 concept store*

NEW PROJECTS

The capital expenditure for 2013 is estimated to be approximately EUR 60 million, which is less than the estimated depreciation of approximately EUR 75 million. Most of the capital expenditure will be in department store renovations and in the expansion of the store network. Capital expenditure will also be allocated to IT projects concerning the renewals of the ERP and financial systems as well as online stores.

Lindex will expand its store network by approximately 15–20 new stores in 2013, excluding franchising stores. Seppälä's store number will remain around the same as in 2012.

Stockmann's department store in Itäkeskus, Helsinki will move to new premises at the Itis shopping centre in November 2013. The capital expenditure in this project is mainly being financed by the lessor. The Tampere and Tapiola department stores will gain significantly more retail space in the construction projects for these stores, which are due for completion in 2014 and 2016, respectively.

Due to the positive development of the Russian real estate market, Stockmann has decided to evaluate the commercial value of the Nevsky Centre shopping centre in St Petersburg. Based on the evaluation, Stockmann may strengthen its financial position by finding an outside investor for the real estate property. If acceptable terms can be achieved, Stockmann could consider completing this transaction during 2013.

SHARES AND SHARE CAPITAL

Stockmann has two series of shares. Series A shares each confer 10 votes, while Series B shares each confer one vote. The shares carry an equal right to dividends. The par value is EUR 2.00 per share. As of the end of the year, Stockmann had 30 627 563 Series A shares and 41 421 120 Series B shares, or a total of 72 048 683 shares.

The Board of Directors of Stockmann approved 207 854 Series B share subscriptions with the 2008 Loyal Customer share options in 2012. The subscription right was used by 5 398 Stockmann loyal customers. As a consequence, Stockmann's share capital was increased by EUR 0.4 million. The share capital totalled EUR 144.1 million at the end of 2012 (EUR 143.7 million).

The company's market capitalization at the end of 2012 was EUR 994.6 million (EUR 911.8 million).

Stockmann's Series B share outperformed during 2012 the OMX Helsinki Cap index and the OMX Helsinki index while the Series A share performed under the indexes. At the close of 2012, the price of the Series A shares was EUR 14.08, compared with EUR 13.65 at the end of 2011, and the Series B shares were selling at EUR 13.60, as against EUR 11.98 at the end of 2011. A total of 0.4 million (0.5 million) Series A shares and 11.3 million (15.4 million) Series B shares were traded during the year. This corresponds to 1.4 per cent of the average number of Series A shares and 27.4 per cent of the average number of Series B shares.

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

At the end of 2012, Stockmann had 59 283 shareholders, compared with 56 116 a year earlier. The increase in the number of shareholders was mainly due to exercise of the Loyal Customer share options. On 14 August 2012, Stockmann received a major shareholdings announcement concerning Konstsamfundet r.f. whose voting rights in Stockmann had increased above 15 per cent in connection with a purchase of shares.

PERSONNEL

The Group's personnel totalled an average of 15 603 in 2012, which was 361 less than in the previous year (15 964 in 2011 and 15 165 in 2010). The decline took place mainly in Russia where, for example, the Bestseller stores were closed.

Converted into full-time equivalents, Stockmann's average number of employees was down by 274, to 11 898 employees (12 172 in 2011 and 11 503 in 2010). The Group's wages and salaries amounted to EUR 319.4 million, compared with EUR 307.7 million in 2011 and 287.6 million in 2010. The employee benefits expenses totalled EUR 405.1 million (EUR 390.0 million) which accounted for 19.1 per cent (19.4 per cent) of revenue.

At the end of 2012, the Group had 16 041 employees (15 960) of which 7 553 (7 237) were working in Finland. The number of employees working outside of Finland was 8 488 (8 723) which was 53 per cent (55 per cent) of the total. At the end of 2012, 9 634 employees were employed by the Department Store Division (9 672), 4 856 by Lindex (4 653), 1 419 by Seppälä (1 506) and 132 in Corporate Administration (129).

CHANGES IN ORGANISATION AND MANAGEMENT

The Stockmann Group introduced a new organisational structure by establishing a new Fashion Chain Division in June 2012. The division includes all operations of Lindex and Seppälä and will support their strategic aim of successful international expansion and enable more cost-efficient operations for both brands. Göran Bille was appointed Director, Fashion Chain Division as of June 2012. He also continues as the CEO of Lindex. Seppälä's CEO Nina Laine-Haaja has been reporting to Göran Bille since 1 July 2012, and she left the Stockmann Group's Management Committee as of 31 December 2012.

HR Director, M.Sc. (Econ.) Heini Pirttijärvi (born 1966) started as a member of the Stockmann Group's Management Committee as of 1 January 2013. Pirttijärvi has been the Department Store Division's HR Director since 2009 and is currently responsible for both the Stockmann Group's and the Department Store Division's human resources. Heini Pirttijärvi has worked for the company since 1993 in various roles, including Director of the Tapiola department store and Sales Director of the Helsinki city centre department store.

EVENTS AFTER THE REPORTING PERIOD

Stockmann and INDITEX, S.A., the owner of the Zara store concept, agreed in January 2013 to end the franchising co-operation in Finland as of 1 March 2013. Stockmann is currently operating four Zara franchising stores in Finland. The stores will be transferred to Inditex through a sale of Stockmann's subsidiary Z-Fashion Finland Oy that is responsible for the franchising business. The divestment does not have a substantial effect on the Stockmann Group's revenue or earnings. Revenue of Z-Fashion Finland totalled EUR 22 million in 2012.

RISK FACTORS

The Stockmann Group has business operations in the Nordic countries, Russia, the Baltic countries and eastern Central Europe. The general economic situation is affecting consumers' purchasing behaviour and purchasing power in all of the Group's market areas. Rapid and unexpected movements in markets and increases in income taxes and value added taxes may influence the behaviour of both financial markets and consumers.

Business risks are greater in Russia than in the Nordic countries or the Baltic countries, and the operating environment is less stable owing to factors such as the undeveloped state of business culture and the country's infrastructure. The role of the grey economy is still considerable and plays a part in distorting competition. Russia became a member of the World Trade Organisation (WTO) in August 2012. This is expected to bring greater clarity to the competitive environment and processes, as well as reductions in import duties in the future. Energy prices, especially oil prices, have a significant impact on the development of the Russian economy and consumer purchasing behaviour.

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

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

The Group's revenue, earnings and balance sheet are affected by changes in exchange rates between the Group's reporting currency, the euro, and the Swedish krona, the Norwegian krone, the Russian rouble, the US dollar and certain other currencies. Financial risks, including risks arising from interest rate fluctuations, are managed in accordance with the risk policy confirmed by the Board of Directors, and these risks are not considered to have a significant effect on the Group's business operations.

OUTLOOK FOR 2013

The European economy is expected to remain unstable in 2013. No permanent solution has been found for Europe's debt crisis, and this will cause uncertainty in the retail market performance. Declining purchasing power may further weaken consumers' confidence and it seems probable that the market in Finland will experience a long period of low growth. The market for affordable fashion in the Nordic countries developed poorly both in 2011 and 2012, particularly in Sweden, but the outlook for 2013 is expected to improve slightly.

The Russian market is likely to continue to perform better than the Nordic markets, provided that the price of oil does not significantly drop from its current level. The growth of the retail markets in the Baltic countries is expected to continue. However, high uncertainty and low consumer confidence may continue to affect consumers' willingness to make purchases in all market areas.

Stockmann's decision to discontinue the Bestseller franchising in Russia and Zara franchising in Finland will somewhat slow down the revenue growth. In Russia the discontinuation will, however, improve the operating profit. Attention will be given to improving cost efficiency in particular in Finland. The Group's capital expenditure is estimated to be lower than depreciation, and to amount to approximately EUR 60 million in 2013.

Stockmann expects the Group's revenue to increase in 2013, excluding the terminated franchising operations. Operating profit is expected to be higher than in 2012. The first-quarter operating result will be negative due to normal seasonal variation.

Helsinki, Finland, 12 February 2013

STOCKMANN plc
Board of Directors

SHARES AND **SHARE CAPITAL**

The share capital of Stockmann plc is divided into Series A and Series B shares. Series A shares carry ten votes and Series B shares 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.

The company's shares are in the book-entry system and they are listed on NASDAQ OMX Helsinki. The trading code for the Series A share is STCAS and for the Series B share STCBV. The number of registered shareholders at 31 December 2012 was 59 283 (56 116 shareholders at 31 December 2011).

The company's market capitalization at 31 December 2012 was EUR 994.6 million (EUR 911.8 million at 31 December 2011).

Share option programmes

Stockmann has two option programmes on-going; Loyal Customer share option programme 2012 for Loyal Customers and Key employee share option programme 2010 for key employees in the Stockmann Group. Two option programmes ended during 2012; Loyal Customer share option programme 2008, with which a total of 902 683 Series B shares were subscribed for, and Key employee share option programme 2006, with which no shares were subscribed for.

Loyal Customer share options 2012

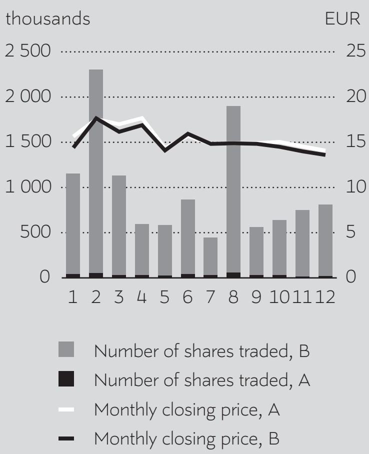
The Annual General Meeting held on 15 March 2012 approved the Board of Directors' proposal on granting share options to Stockmann's Loyal Customers. In accordance with the resolution of the Annual General Meeting, a maximum of 2 500 000 share options will be granted without consideration to Stockmann's Loyal Customers whose purchases in companies belonging to the Stockmann Group together with purchases originating from parallel cards directed to the same account during the time period 1 January 2012–31 December 2013 amounts to a total of at least EUR 6 000. For purchases of at least EUR 6 000, a Loyal Customer will receive 20 share options without consideration. In addition, for each full EUR 500 by which the purchases exceed EUR 6 000, the Loyal Customer will receive two additional share options. The share subscription period for the Loyal Customer share options will be 2–31 May 2014 and 2–31 May 2015.

Each share option entitles its holder to subscribe for one of Stockmann Series B shares. The subscription price is the volume-weighted average price of the Series B share on the Helsinki exchange during the period 1–29 February 2012, or EUR 16.36. The subscription price of each share subscribed for based on the share options will be decreased on the record date for each dividend payout by the amount of dividends decided after the commencement of the determination period for the subscription price and prior to the share subscription. The subscription price after the dividend payout proposed by the Board of Directors for the 2012 financial year is EUR 15.26 per share.

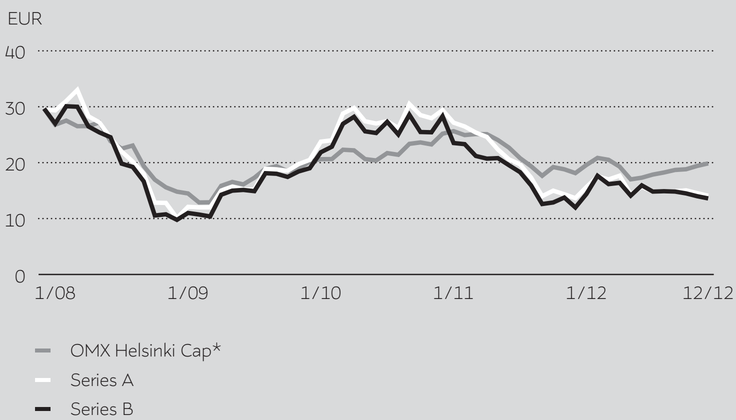
Key employee share options 2010

The Annual General Meeting held on 16 March 2010 approved the Board of Directors' proposal on granting share options to key employees of the Stockmann Group. In accordance with the resolution of the Annual General Meeting, a total of 1 500 000 share options can be granted to the key employees of Stockmann and its subsidiaries. Of the share options 500 000 will be marked with the identifier 2010A, 500 000 with the identifier 2010B, and 500 000

TURNOVER AND PRICE TREND OF SERIES A AND SERIES B SHARES 2012



PRICE TREND OF SERIES A AND SERIES B SHARES COMPARED WITH OMX HELSINKI CAP INDEX 2008–2012



* The weighting of each company in the index is limited to a maximum of 10 per cent.

with the identifier 2010C. The share subscription period for the share options 2010A will be 1 March 2013–31 March 2015, for share options 2010B 1 March 2014–31 March 2016 and for share options 2010C 1 March 2015–31 March 2017.

Each share option entitles its holder to subscribe for one Stockmann Series B share. The share subscription price relating to the share options 2010A shall be the trade volume weighted average price of the company's Series B shares on the Helsinki exchange during the period 1–28 February 2010 increased by 20 per cent or EUR 26.41, the share options 2010B the trade volume weighted average price of the company's Series B shares on the Helsinki exchange during the period 1–28 February 2011 increased by 10 per cent or EUR 25.72, and the share options 2010C the trade volume weighted average price of the company's Series B shares on the Helsinki exchange during the period 1–29 February 2012 increased by 10 per cent or EUR 18.00. The subscription price of each share subscribed for based on the share options will be decreased on the record date for each dividend payout by the amount of dividends decided after the commencement of the determination period for the subscription price and prior to the share subscription. The subscription prices after the dividend payout proposed by the Board of Directors for the 2012 financial year is EUR 23.77 per share for to the share options 2010A, EUR 23.80 per share for to the share options 2010B and EUR 16.90 per share for the share option 2010C.

Own shares

At 31 December 2012, the company did not hold any of its own shares, and the Board of Directors had no valid authorisations to purchase shares of the company.

PRICE TREND OF SHARES

	Closing prices 31 Dec 2012 EUR	Closing prices 31 Dec 2011 EUR	Change %
Series A	14.08	13.65	3.2
Series B	13.60	11.98	13.5

TURNOVER OF SHARES AND SHARE OPTIONS ON NASDAQ OMX HELSINKI 2012

	Number of shares	% of total shares outstanding	EUR	Average price EUR
Series A	435 858	1.4	6 789 863	15.57
Series B	11 308 020	27.3	172 238 186	15.19
Option 2006C	10 000		100	0.01
Total	11 753 878		179 028 149	

SHARE CAPITAL, 31 DECEMBER 2012

Series A	30 627 563	shares at EUR 2 each	61 255 126	EUR
Series B	41 421 120	shares at EUR 2 each	82 842 240	EUR
Total	72 048 683		144 097 366	EUR

CHANGES IN THE SHARE CAPITAL AS FROM 1 JANUARY 2008

	Entered in the Trade Register	Subscription price EUR	Number of new shares	Additional share capital EUR million	New total share capital EUR million
2008 Directed Issue	2008	24.50	2 017 806 A	4.0	116.2
2008 Directed Issue	2008	24.50	3 591 554 B	7.2	123.4
2008 With the 2006 Loyal Customer options	2008	29.60	364 B	0.0	123.4
2009 Directed Issue	2009	17.00	2 433 537 A	4.9	128.2
2009 Directed Issue	2009	17.00	3 215 293 B	6.4	134.7
2009 Rights offering	2009	12.00	1 611 977 A	3.2	137.9
2009 Rights offering	2009	12.00	2 129 810 B	4.3	142.1
2010 With the 2006 Loyal Customer options	2010	27.93	52 047 B	0.1	142.3
2011 With the 2008 Loyal Customer options	2011	8.79	694 829 B	1.4	143.7
2012 With the 2008 Loyal Customer options	2012	8.29	207 854 B	0.4	144.1

COMING SUBSCRIPTIONS WITH SHARE OPTIONS*

		Subscription period	Subscription price, EUR**	Number of new series B shares, thousands	Holding %	Proportion of votes %
2013–2015	With the 2010A key employee options	1 March 2013–31 March 2015	23.77	466		
2014–2016	With the 2010B key employee options	1 March 2014–31 March 2016	23.80	330		
2015–2017	With the 2010C key employee options	1 March 2015–31 March 2017	16.90	349	1.5	0.3
2014–	With the 2012 Loyal Customer options	2 May 2014–31 May 2014				
2015		2 May 2015–31 May 2015	15.26	2 500	3.3	0.7

** If all share options are exercised.*
*** Subscription price after 2012 dividend payout proposed by the Board of Directors.*

OWNERSHIP STRUCTURE, 31 DECEMBER 2012

	Number	Shareholders %	Percentage of shares %	Percentage of votes %
Households	57 389	96.8	22.5	16.8
Private and public corporations	1 112	1.9	24.1	24.9
Foundations and associations	534	0.9	42.9	55.6
Nominee registrations (incl. foreign shareholders)	201	0.3	8.2	2.2
Financial and insurance companies	47	0.1	2.3	0.5
Total	59 283	100.0	100.0	100.0

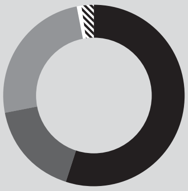
NUMBER OF SHARES, 31 DECEMBER 2012

	Number	Shareholders %	Percentage of shares %	Percentage of votes %
1–100	37 956	64.0	2.0	0.7
101–1 000	17 809	30.0	8.2	5.1
1 001–10 000	3 251	5.5	11.0	6.4
10 001–100 000	225	0.4	7.9	4.1
100 001–1 000 000	30	0.1	18.1	19.2
1 000 001–	12	0.0	52.8	64.5
Total	59 283	100.0	100.0	100.0

MAJOR SHAREHOLDERS, 31 DECEMBER 2012

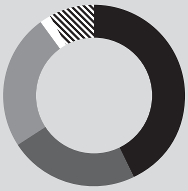
		Percentage of shares %	Percentage of votes %
1	HTT STC Holding Oy Ab	11.7	10.7
2	Föreningen Konstsamfundet grouping	9.4	15.0
3	Society of Swedish Literature in Finland	7.6	15.7
4	Niemistö grouping	5.8	9.4
5	Stiftelsen för Åbo Akademi	4.3	6.7
6	Etola Group	4.2	6.1
7	Varma Mutual Pension Insurance Comapany	3.1	0.7
8	Samfundet Folkhälsan i svenska Finland r.f.	2.2	2.7
9	Jenny ja Antti Wihuri's Fund	1.9	2.1
10	Inez och Julius Polins Fond	1.5	0.8
11	Sigrid Jusélius Foundation	1.3	2.7
12	Tapiola Mutual Pension Insurance Company	1.3	0.3
13	Ilmarinen Mutual Pension Insurance Company	1.2	0.7
14	Wilhelm och Else Stockmanns Stiftelse	1.1	2.2
15	The State Pension Fund	0.9	0.2
16	Helene och Walter Grönqvists Stiftelse	0.8	1.4
17	Stiftelsen Bensows Barnhem Granhyddan r.s.	0.8	1.0
18	Kaleva Mutual Insurance Company	0.5	0.1
19	William Thurings Foundation	0.5	0.7
20	The Finnish Cultural Foundation	0.4	0.1
	Other	39.5	20.7
Total		100.0	100.0

DISTRIBUTION OF VOTES 2012



- 55% Foundations and associations
- 17% Households
- 25% Private and public corporations
- 1% Banks and insurance companies
- 2% Nominee registrations (incl. foreign shareholders)

DISTRIBUTION OF SHARES 2012



- 43% Foundations and associations
- 23% Households
- 24% Private and public corporations
- 2% Banks and insurance companies
- 8% Nominee registrations (incl. foreign shareholders)

PER-SHARE **DATA**

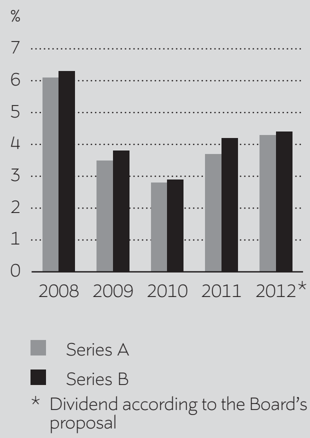
		2012	2011	2010	2009****	2008****
Earnings per share***	EUR	**0.74**	0.43	1.10	0.82	0.65
Earnings per share, diluted***	EUR	**0.74**	0.43	1.09	0.81	0.65
Equity per share	EUR	**12.40**	12.11	12.45	11.94	11.22
Dividend per share	EUR	**0.60***	0.50	0.82	0.72	0.62
Dividend per earnings***	%	**80.6***	116.2	74.5	88.0	94.7
Cash flow per share***	EUR	**1.72**	0.93	1.29	2.23	2.85
Effective dividend yield	%					
Series A share		**4.3***	3.7	2.8	3.5	6.1
Series B share		**4.4***	4.2	2.9	3.8	6.3
P/E ratio of shares***						
Series A share**		**18.9**	31.9	26.7	25.0	15.4
Series B share**		**18.3**	28.0	25.7	23.2	14.9
Share quotation at 31 December	EUR					
Series A share		**14.08**	13.65	29.40	20.50	10.10
Series B share		**13.60**	11.98	28.30	19.00	9.77
Highest price during the period	EUR					
Series A share		**19.50**	29.85	31.50	22.00	34.75
Series B share		**18.68**	28.48	30.50	20.00	32.00
Lowest price during the period	EUR					
Series A share		**13.40**	13.44	20.60	10.68	10.10
Series B share		**12.12**	11.60	18.85	9.63	9.33
Average price during the period	EUR					
Series A share		**15.57**	18.71	26.97	16.11	20.35
Series B share		**15.19**	18.68	25.41	14.80	20.90
Share turnover	thousands					
Series A share		**436**	476	1 022	512	859
Series B share		**11 308**	15 402	14 582	17 290	29 327
Share turnover	%					
Series A share		**1.4**	1.6	3.3	1.7	3.2
Series B share		**27.3**	37.4	36.0	42.7	83.5
Market capitalization at 31 December	EUR mill.	**994.6**	911.8	2 047.1	1 396.7	611.6
Number of shares at 31 December	thousands	**72 049**	71 841	71 146	71 094	61 703
Series A share		**30 628**	30 628	30 628	30 628	26 582
Series B share		**41 421**	41 213	40 518	40 466	35 121
Weighted average number of shares***	thousands	**71 945**	71 496	71 120	65 676	59 710
Series A share		**30 628**	30 628	30 628	28 373	27 103
Series B share		**41 318**	40 868	40 493	37 303	32 606
Weighted average number of shares, diluted***	thousands	**71 945**	71 789	71 897	65 995	59 710
Own shares owned by the company	thousands					364
Series A share						
Series B share						364
Total number of shareholders at 31 December	no	**59 283**	56 116	44 596	43 929	42 888

** Board's proposal to the Annual General Meeting. According to the proposal, a dividend of EUR 0.60 per share will be paid.*
*** The dilution effect of share options has been taken into account in the 2011 figures.*
**** Figures for 2008 restated due to a rights issue in 2009.*
***** Financial years 2008–2009 restated due to an error.*

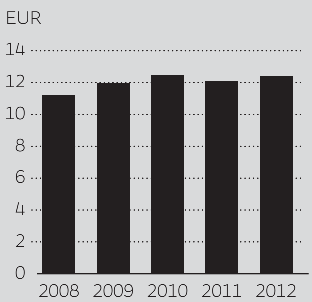
EARNINGS PER SHARE AND DIVIDEND PER SHARE 2008–2012

EARNINGS PER SHARE AND P/E RATIO 2008–2012

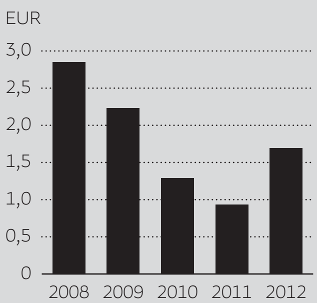
EFFECTIVE DIVIDEND YIELD 2008–2012



EQUITY PER SHARE 2008–2012



CASH FLOW PER SHARE 2008–2012



DEFINITION OF PER-SHARE DATA

Earnings per share	=	Profit before taxes less minority interest less income taxes / Average number of shares, adjusted for share issues 1)	
Equity per share	=	Equity less fund for own shares / Number of shares on the balance sheet date	
Dividend per earnings, %	=	Dividend per share / Earnings per share, adjusted for share issues 1)	x 100
Cash flow per share	=	Cash flow from operating activities / Average number of shares, adjusted for share issues 1)	
Effective dividend yield, %	=	Dividend per share / Share quotation at 31 December, adjusted for share issues	x 100
P/E ratio of shares	=	Share quotation at 31 December, adjusted for share issues / Earnings per share, adjusted for share issues 1)	

Share quotation at 31 December	=	Share quotation on the balance sheet date
Highest share price during the period	=	Highest price of the company's shares during the period
Lowest share price during the period	=	Lowest price of the company's shares during the period
Average share price over the period	=	Share turnover in euro / Number of shares traded during the period
Share turnover	=	Quantitative share turnover, adjusted for share issues
Market capitalization at 31 December	=	Number of shares multiplied by the quotation for the respective share series on the balance sheet date

1) Without the own shares owned by the company

KEY **FIGURES**

		2012	2011	2010	2009**	2008**
Revenue	EUR mill.	**2 116.4**	2 005.3	1 821.9	1 698.5	1 878.7
Change on the previous year	%	**5.5**	10.1	7.3	–9.6	34.4
Operating profit	EUR mill.	**87.3**	70.1	88.8	85.1	121.9
Change on the previous year	%	**24.6**	–21.0	4.4	–30.2	–2.6
Share of revenue	%	**4.1**	3.5	4.9	5.0	6.5
Profit before taxes	EUR mill.	**54.9**	35.7	74.2	61.1	71.7
Change on the previous year	%	**54.0**	–51.9	21.5	–14.9	–39.9
Share of revenue	%	**2.6**	1.8	4.1	3.6	3.8
Profit for the period		**53.6**	30.8	78.3	53.8	39.1
Share capital	EUR mill.	**144.1**	143.7	142.3	142.2	123.4
Series A share	EUR mill.	**61.3**	61.3	61.3	61.3	53.2
Series B share	EUR mill.	**82.8**	82.4	81.0	80.9	70.2
Dividends	EUR mill.	**43.2***	35.9	58.3	51.2	38.0
Return on equity	%	**6.1**	3.5	9.0	7.0	6.1
Return on capital employed	%	**5.1**	4.1	5.8	5.8	8.3
Capital employed	EUR mill.	**1 737.1**	1 715.7	1 668.5	1 551.0	1 481.7
Capital turnover rate		**1.2**	1.2	1.1	1.1	1.3
Inventories rate		**3.8**	3.9	3.8	4.9	4.4
Equity ratio	%	**42.8**	42.2	43.1	44.1	39.0
Net gearing	%	**90.9**	95.3	87.7	72.2	107.6
Investment in fixed assets	EUR mill.	**60.3**	66.0	165.4	152.8	182.3
Share of net turnover	%	**2.8**	3.3	9.1	9.0	9.7
Interest-bearing debtors	EUR mill.	**43.8**	45.6	41.4	44.5	52.2
Interest-bearing liabilities	EUR mill.	**848.5**	862.5	813.3	789.2	775.7
Interest-bearing net debt	EUR mill.	**768.6**	783.7	735.1	568.3	688.2
Total assets	EUR mill.	**2 087.1**	2 062.7	2 053.8	1 925.7	1 764.1
Staff expenses	EUR mill.	**405.1**	390.0	361.9	327.4	350.5
Share of net turnover	%	**19.1**	19.4	19.9	19.3	18.7
Personnel, average	persons	**15 603**	15 964	15 165	14 656	15 669
Net turnover per person	EUR thousands	**135.6**	125.6	120.1	115.9	119.9
Operating profit per person	EUR thousands	**5.6**	4.4	5.9	5.8	7.8
Staff expenses per person	EUR thousands	**26.0**	24.4	23.9	22.3	22.4

** Board's proposal to the Annual General Meeting. According to the proposal, a dividend of EUR 0.60 per share will be paid.*
*** Financial years 2008–2009 restated due to an error.*

DEFINITION OF KEY FIGURES

Profit before taxes = Operating profit + financial income less financial expenses

$$\text{Return on equity, \%} = \frac{\text{Profit for the period}}{\text{Equity + minority interest (average over the year)}} \times 100$$

$$\text{Return on capital employed, \%} = \frac{\text{Profit before taxes + interest and other financial expenses}}{\text{Capital employed}} \times 100$$

Capital employed = Total assets less deferred tax liability and other non-interest-bearing liabilities (average over the year)

$$\text{Capital turnover rate} = \frac{\text{Revenue}}{\text{Total assets less deferred tax liability and other non-interest-bearing liabilities (average over the year)}}$$

$$\text{Inventories rate} = \frac{365}{\text{Inventories turnover time}}$$

$$\text{Equity ratio, \%} = \frac{\text{Equity + minority interest}}{\text{Total assets less advance payments received}} \times 100$$

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

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

CONSOLIDATED **INCOME STATEMENT**

EUR mill.	**1.1.–31.12.2012**	**1.1.–31.12.2011**
REVENUE	**2 116.4**	**2 005.3**
Other operating income	**0.6**	0.2
Materials and consumables	**–1 069.2**	–1 028.4
Wages, salaries and employee benefits expenses	**–405.1**	–390.0
Depreciation, amortisation and impairment losses	**–74.5**	–77.7
Other operating expenses	**–480.9**	–439.4
Total expenses	**–2 029.7**	**–1 935.5**
OPERATING PROFIT	**87.3**	**70.1**
Finance income	**1.8**	0.5
Finance expenses	**–34.2**	–34.9
Total finance income and expenses	**–32.4**	**–34.4**
PROFIT BEFORE TAX	**54.9**	**35.7**
Income taxes	**–1.4**	–4.9
PROFIT FOR THE PERIOD	**53.6**	**30.8**
Profit for the period attributable to:		
Equity holders of the parent company	**53.6**	30.8
Non-controlling interest	**0.0**	0.0
EPS, undiluted, adjusted for share issue, EUR	**0.74**	**0.43**
EPS, diluted, adjusted for share issue, EUR	**0.74**	**0.43**

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

EUR mill.	**1.1.–31.12.2012**	**1.1.–31.12.2011**
PROFIT FOR THE PERIOD	**53.6**	**30.8**
Other comprehensive income		
Exchange differences on translating foreign operations	**4.4**	2.1
Cash flow hedges	**–2.7**	2.4
Other comprehensive income for the period, net of tax	**1.7**	**4.4**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**55.3**	**35.2**
Total comprehensive income attributable to:		
Equity holders of the parent company	**55.3**	35.2
Non-controlling interest	**0.0**	0.0

CONSOLIDATED STATEMENT **OF FINANCIAL POSITION**

EUR mill.	31.12.2012	31.12.2011
ASSETS		
NON-CURRENT ASSETS		
Intangible assets		
Trademark	**106.2**	102.3
Intangible rights	**25.3**	19.9
Other intangible assets	**0.4**	0.4
Advance payments and construction in progress	**25.4**	10.5
Goodwill	**818.8**	788.5
Intangible assets, total	**976.1**	**921.5**
Property, plant and equipment		
Land and water	**42.2**	42.2
Buildings and constructions	**456.9**	470.3
Machinery and equipment	**112.1**	125.0
Modification and renovation expenses for leased premises	**37.8**	45.7
Advance payments and construction in progress	**6.2**	8.1
Property, plant and equipment, total	**655.1**	**691.2**
Non-current receivables	**1.1**	**0.5**
Available-for-sale investments	**5.0**	**5.0**
Deferred tax asset	**16.1**	**11.6**
NON-CURRENT ASSETS, TOTAL	**1 653.3**	**1 629.9**
CURRENT ASSETS		
Inventories	**281.4**	**264.7**
Current receivables		
Interest-bearing receivables	**43.8**	45.6
Income tax receivables	**0.6**	13.6
Non-interest-bearing receivables	**71.8**	75.6
Current receivables, total	**116.2**	**134.8**
Cash and cash equivalents	**36.1**	**33.2**
CURRENT ASSETS, TOTAL	**433.7**	**432.8**
ASSETS, TOTAL	**2 087.1**	**2 062.7**

EUR mill.	31.12.2012	31.12.2011
EQUITY AND LIABILITIES		
EQUITY		
Share capital	**144.1**	143.7
Share premium fund	**186.1**	186.1
Invested unrestricted equity fund	**250.5**	249.2
Other funds	**42.9**	45.7
Translation reserve	**10.0**	5.6
Retained earnings	**259.8**	239.7
Equity attributable to equity holders of the parent company	**893.3**	**869.9**
Non-controlling interest	**0.0**	**0.0**
EQUITY, TOTAL	**893.3**	**869.9**
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**66.4**	68.1
Non-current interest-bearing liabilities	**502.9**	533.9
Provisions for pensions	**0.3**	0.4
Non-current non-interest-bearing liabilities and provisions	**0.4**	0.1
NON-CURRENT LIABILITIES, TOTAL	**570.0**	**602.5**
CURRENT LIABILITIES		
Current interest-bearing liabilities	**345.6**	**328.6**
Current non-interest-bearing liabilities		
Trade payables and other current liabilities	**275.7**	259.5
Income tax liabilities	**2.0**	2.2
Current provisions	**0.4**	0.0
Current non-interest-bearing liabilities, total	**278.1**	**261.7**
CURRENT LIABILITIES, TOTAL	**623.8**	**590.3**
LIABILITIES, TOTAL	**1 193.7**	**1 192.8**
EQUITY AND LIABILITIES, TOTAL	**2 087.1**	**2 062.7**

CONSOLIDATED **CASH FLOW STATEMENT**

EUR mill.	**1.1.–31.12.2012**	1.1.–31.12.2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	**53.6**	30.8
Adjustments for:		
Depreciation, amortisation & impairment losses	**74.5**	77.7
Gains (-) and losses (+) of disposals of fixed assets and other non-current assets	**–0.4**	0.3
Interest and other financial expenses	**34.2**	34.9
Interest income	**–1.8**	–0.5
Income taxes	**1.4**	4.9
Other adjustments	**2.1**	1.5
Working capital changes:		
Increase (-) /decrease (+) in inventories	**–12.8**	–23.8
Increase (-)/decrease (+) in trade and other current receivables	**6.5**	1.6
Increase (+)/decrease (-) in current liabilities	**–6.2**	–27.1
Interest expenses paid	**–33.3**	–32.5
Interest received from operating activities	**0.4**	0.3
Other financing items from operating activities	**–0.5**	0.0
Income taxes paid from operating activities	**6.0**	–2.0
Net cash from operating activities	**123.7**	**66.2**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible and intagible assets	**–54.1**	–63.9
Proceeds from sale of tangible and intangible assets	**1.5**	5.2
Dividends received from investing activities	**0.2**	0.1
Net cash used in investing activities	**–52.4**	**–58.6**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issue	**1.6**	6.0
Proceeds from current liabilities	**268.1**	263.7
Repayment of current liabilities	**–263.7**	–284.7
Proceeds from non-current liabilities	**248.0**	90.4
Repayment of non-current liabilities	**–287.3**	–25.5
Payment of finance lease liabilities	**–2.5**	–2.5
Dividends paid	**–35.9**	–58.3
Net cash used in financing activities	**–71.7**	**–10.9**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**–0.4**	**–3.4**
Cash and cash equivalents at the beginning of the period	**33.2**	36.7
Cheque account with overdraft facility	**–0.1**	–0.3
Cash and cash equivalents at the beginning of the period	**33.2**	**36.4**
Net increase/decrease in cash and cash equivalents	**–0.4**	–3.4
Effects of exchange rate fluctuations on cash held	**–0.6**	0.1
Cash and cash equivalents at the end of the period	**36.1**	33.2
Cheque account with overdraft facility	**–3.9**	–0.1
Cash and cash equivalents at the end of the period	**32.2**	**33.2**

CONSOLIDATED STATEMENT **OF CHANGES IN EQUITY**

EUR mill.	Share capital	Share premium fund	Hedging reserve	Reserve for unrestricted equity	Other reserves	Translation differences	Retained earnings	Total	Non-controlling interest	Total
SHAREHOLDERS' EQUITY 1.1.2011	**142.3**	**186.1**	**-0.6**	**244.6**	**43.8**	**3.5**	**266.0**	**885.7**	**0.0**	**885.7**
Dividend distribution							-58.3	**-58.3**		**-58.3**
Share issue	1.4							**1.4**		**1.4**
Options exercised							1.2	**1.2**		**1.2**
Share premium				4.6				**4.6**		**4.6**
Other changes					0.1		0.1	**0.1**		**0.1**
Comprehensive income for the period										
Profit for the period							30.8	**30.8**		**30.8**
Exchange differences on translating foreign operations						2.1		**2.1**		**2.1**
Cash flow hedges			2.4					**2.4**		**2.4**
Total comprehensive income for the period*			2.4			2.1	30.8	**35.2**		**35.2**
SHAREHOLDERS' EQUITY 31.12.2011	**143.7**	**186.1**	**1.7**	**249.2**	**43.9**	**5.6**	**239.7**	**869.9**	**0.0**	**869.9**

EUR mill.	Share capital	Share premium fund	Hedging reserve	Reserve for unrestricted equity	Other reserves	Translation differences	Retained earnings	Total	Non-controlling interest	Total
SHAREHOLDERS' EQUITY 1.1.2012	**143.7**	**186.1**	**1.7**	**249.2**	**43.9**	**5.6**	**239.7**	**869.9**	**0.0**	**869.9**
Dividend distribution							-35.9	**-35.9**		**-35.9**
Share issue	0.4							**0.4**		**0.4**
Options exercised							2.4	**2.4**		**2.4**
Share premium				1.2				**1.2**		**1.2**
Other changes							0.0	**0.0**		**0.0**
Comprehensive income for the period										
Profit for the period							53.6	**53.6**		**53.6**
Exchange differences on translating foreign operations						4.4		**4.4**		**4.4**
Cash flow hedges			-2.7					**-2.7**		**-2.7**
Total comprehensive income for the period*			-2.7			4.4	53.6	**55.3**		**55.3**
SHAREHOLDERS' EQUITY 31.12.2012	**144.1**	**186.1**	**-1.0**	**250.5**	**43.9**	**10.0**	**259.8**	**893.3**	**0.0**	**893.3**

** Adjusted with deferred tax liability*

PROPOSAL FOR THE **DISTRIBUTION OF PROFIT**

The parent company's distributable funds according to the balance sheet at 31 December 2012, were EUR 422.1 million.

According to the parent company balance sheet at 31 December 2012, the following amounts are at disposal of the Annual General Meeting:	
• Retained earnings, including the contingency fund and the reserve for invested unrestricted equity	391 878 592.54
• Net profit for the financial year	30 237 874.93
	422 116 467.47
The Board of Directors proposes that this amount be distributed as follows:	
• on the 72 048 683 shares owned by external parties be paid a dividend of EUR 0.60 per share for the financial year 2012	43 229 209.80
• to be carried forward to the Contingency fund, Reserve for invested unrestricted equity and retained earnings	378 887 257.67
	422 116 467.47

No material changes have taken place in the company's financial position after the close of the financial year. The company's liquidity is good, and in the view of the Board of Directors, the proposed dividend payout will not jeopardise the company's ability to meet its payment obligations.

Helsinki, 12 February 2013

Signatures of the Board of Directors and the CEO to the report by the Board of Directors and the Financial Statements:

Board of Directors

Christoffer Taxell
Kari Niemistö
Carola Teir-Lehtinen
Kaj-Gustaf Bergh
Per Sjödell
Dag Wallgren
Eva Liljeblom
Charlotta Tallqvist-Cederberg

CEO

Hannu Penttilä

AUDITORS' **REPORT**

To the Annual General Meeting of Stockmann plc

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Stockmann plc for the year ended December 31, 2012. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the CEO

The Board of Directors and the CEO are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the CEO shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company and the CEO are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, 18 February 2013

Jari Härmälä	Henrik Holmbom
Authorized Public Accountant	Authorized Public Accountant

CONSOLIDATED **INCOME STATEMENT PER QUARTER**

EUR mill.	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Revenue	**643.8**	485.1	537.2	450.3	**626.1**	461.3	510.2	407.7
Other operating income	**0.6**	0.0	0.0	0.0	**0.1**	0.2	0.0	0.0
Materials and consumables	**-325.3**	-239.5	-270.2	-234.2	**-321.9**	-234.6	-257.5	-214.3
Wages, salaries and employee benefits expenses	**-111.0**	-94.5	-101.0	-98.6	**-104.4**	-88.7	-98.9	-98.0
Depreciation, amortisation and impairment losses	**-19.0**	-19.0	-18.1	-18.4	**-20.8**	-18.9	-18.9	-19.1
Other operating expenses	**-132.4**	-115.0	-118.3	-115.3	**-119.7**	-104.1	-109.4	-106.2
Operating profit	**56.8**	17.1	29.7	-16.2	**59.3**	15.2	25.6	-29.9
Finance income	**-0.5**	1.0	0.9	0.4	**0.3**	0.0	0.9	-0.7
Finance expenses	**-8.2**	-8.5	-8.4	-9.1	**-8.5**	-8.8	-10.0	-7.7
Total financial income and expenses	**-8.7**	-7.5	-7.5	-8.7	**-8.1**	-8.8	-9.2	-8.3
Profit before tax	**48.2**	9.6	22.2	-24.9	**51.1**	6.4	16.4	-38.3
Income taxes	**-0.4**	-1.4	-3.6	4.0	**-5.9**	-0.7	-1.7	3.5
Profit for the period	**47.7**	8.1	18.6	-20.9	**45.2**	5.7	14.7	-34.8

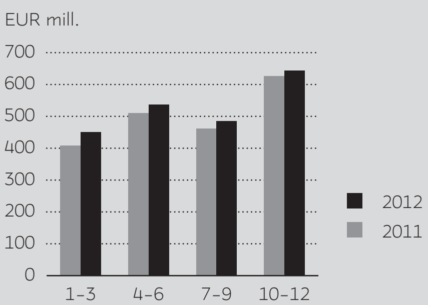
EARNINGS PER SHARE PER QUARTER

EUR	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Undiluted	**0.66**	0.11	0.26	-0.29	**0.63**	0.08	0.21	-0.49
Diluted	**0.66**	0.11	0.26	-0.29	**0.63**	0.08	0.20	-0.48

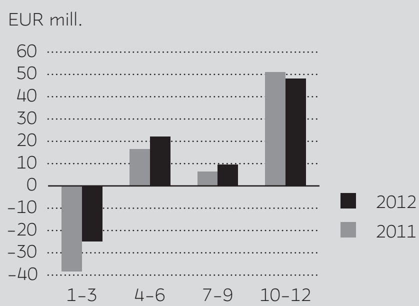
SEGMENT INFORMATION PER QUARTER

EUR mill.	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Revenue								
Department Store Division	**423.5**	272.7	326.0	280.5	**408.5**	266.0	306.0	256.4
Fashion Chain Division	**221.0**	212.3	211.1	169.6	**217.4**	195.5	203.9	151.2
Unallocated	**-0.7**	0.1	0.2	0.1	**0.3**	-0.2	0.3	0.1
Group total	**643.8**	485.1	537.2	450.3	**626.1**	461.3	510.2	407.7
Operating profit								
Department Store Division	**41.6**	2.8	10.2	-6.5	**39.6**	2.9	7.6	-14.8
Fashion Chain Division	**19.2**	16.1	21.8	-7.2	**22.6**	12.9	19.9	-12.8
Unallocated	**-4.0**	-1.8	-2.3	-2.5	**-2.9**	-0.6	-1.9	-2.3
Group total	**56.8**	17.1	29.7	-16.2	**59.3**	15.2	25.6	-29.9

REVENUE PER QUARTER 2011–2012



PROFIT BEFORE TAXES PER QUARTER 2011–2012



INFORMATION **ON MARKET AREAS**

Revenue, EUR mill.	**1.1.–31.12.2012**	1.1.–31.12.2011
Finland 1)	**1 048.2**	1 026.2
Sweden and Norway 2)	**537.9**	509.3
Baltic countries and Central Europe 1) *	**158.5**	141.3
Russia and Ukraine 1)	**371.8**	328.5
Group total	**2 116.4**	2 005.3
Finland %	**49.5%**	51.2%
International operations %	**50.5%**	48.8%

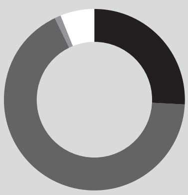
Operating profit, EUR mill.	**1.1.–31.12.2012**	1.1.–31.12.2011
Finland 1)	**22.7**	37.8
Sweden and Norway 2)	**58.4**	47.9
Baltic countries and Central Europe 1) *	**5.8**	3.3
Russia and Ukraine 1)	**0.5**	−19.0
Group total	**87.3**	70.1
Finland %	**25.9%**	53.9%
International operations %	**74.1%**	46.1%

1) Department Store Division, Fashion Chain Division
2) Fashion Chain Division
** Estonia, Latvia, Lithuania, Czech Republic, Slovakia, Poland*

REVENUE
BY MARKET 2012

- 50% Finland
- 25% Sweden and Norway
- 18% Russia
- 7% Baltic countries and Central Europe

OPERATING PROFIT
BY MARKET 2012



- 26% Finland
- 67% Sweden and Norway
- 1% Russia
- 6% Baltic countries and Central Europe

REVENUE
BY DIVISION 2012

- 62% Department Store Division
- 38% Fashion Chain Division

OPERATING PROFIT
BY DIVISION 2012

- 49% Department Store Division
- 51% Fashion Chain Division

INFORMATION **FOR SHAREHOLDERS**

Annual General Meeting

The 2013 Annual General Meeting of the shareholders of Stockmann plc will be held on Thursday 21 March 2013 at 2.00 p.m. in the Concert Hall of Finlandia Hall at the address Mannerheimintie 13, Helsinki, Finland.

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.

Read more on matters related to the Annual General Meeting on *stockmanngroup.com*:

- Notice to convene the annual general meeting
- Registration for the annual general meeting
- Proposals for the annual general meeting

Registrations for the meeting must be received no later than on 15 March 2013 at 4.00 p.m. on the company's website or by telephone +358 9 121 3260. Those shareholders are entitled to participate in the Annual General Meeting, who have been entered on 11 March 2013 as shareholders in the Shareholder Register kept by Euroclear Finland Ltd. The possible use of assistants should be notified in connection with the registration.

Payment of dividend

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.60 per share be paid for the 2012 financial year. The dividend decided by the Annual General Meeting will be paid to a shareholder who on the record date for dividend payment has been entered in the Shareholder Register kept by Euroclear Finland Ltd.

Financial publications

Stockmann publishes financial statements and the annual report in Finnish, Swedish, and English. The printed annual report will be posted to those who have ordered it specially. The report can also be found as an online version on the company's website.

Changes in name and address

We kindly request shareholders to report changes of address to the bank or to Euroclear Finland Ltd in accordance with the place where the shareholder's book-entry account is kept. If you have ordered a printed copy of Stockmann's Annual Report, please also inform Stockmann's Corporate Communications.

Contact information

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STOCKMANN'S FINANCIAL REPORTS IN 2013

January–March interim report	26 April 2013
January–June interim report	9 August 2013
January–September interim report	30 October 2013
In addition, monthly revenue releases are published.	

IMPORTANT DATES RELATING TO THE ANNUAL GENERAL MEETING

Annual General Meeting record date	11 March 2013
Registration for Annual General Meeting ends	15 March 2013
Annual General Meeting	21 March 2013
Record date for dividend payment	26 March 2013
Dividend payment date proposed by the Board of Directors	18 April 2013

CONTACT INFORMATION

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