Annual Report 2005

STOCKMANN

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Kirjapaino Oy,
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Contents

Review of operations

Report and accounts, December 31, 2005

Stockmann in brief

Stockmann is a Finnish listed company which was established in 1862 and is engaged in the retail trade. It has about 42 000 shareholders. Customer satisfaction is the central objective of Stockmann's trading in all its areas of business. After Stockmann Auto's transfer to new owners on March 1, 2006, Stockmann's three divisions are the Department Store Division, Hobby Hall, which is specialized in distance retail, and Seppälä, a chain of fashion stores. Stockmann operates in Finland, Russia, Estonia, Latvia and Lithuania.

Cover picture:

The Hanoi Rocks band that played atop the main entrance canopy of Stockmann's department store in Helsinki in April filled the town centre with a sea of people.

Stockmann Group's core values

Profit orientation
We are in business to make money; all our operations should support this goal. Healthy earnings mean a good return for investors and latitude of movement and risk-taking ability for the company. For good people who are committed to our common goals, it means a highly respected job and an opportunity for self-development.

Customer orientation
We earn money only by offering benefits which the customer perceives as real and better than those of our competitors. The sum total of these benefits is high customer satisfaction and loyalty. Competitive pricing, reliable quality and good customer service are vital elements in achieving these goals.

Efficiency
By performing better than our competitors, we boost sales, secure high cost-effectiveness and use capital efficiently.

Commitment
In all our activities, success calls for an understanding of the importance of Stockmann's company-wide success factors and the role of our own unit in achieving them as well as a commitment to the goals we all share together.

Respect for our people
We respect and value people's capacity for commitment, taking calculated risks and producing results. We reward success.

Social responsibility
Our way of operating is ethical, just and shows respect for environmental values.

Stockmann Group's growth strategy

The Group's strategic objective is to grow profitably. Over the next few years, growth will be achieved increasingly abroad, particularly in Russia. The objective is that by the end of 2008 about one third of sales and at least the same amount of earnings will come from the Baltic and Russian markets.

Growth abroad will be spearheaded by the department stores and Seppälä. The Group's long years of business in Russia and knowledge of the market have opened up franchising as an opportunity, an example of which is the fast-growing Bestseller chain.

Long-term financial targets

	Target set in 2001	2001	2002	2003	2004	2005	Target set in 2005
Return on capital employed	Minimum 15%	9.8%	12.6%	13.2%	14.3%	19.6%	Minimum 20%
EBIT on revenue	Minimum 5%	3.6%	4.7%	4.7%	4.9%	6.7%	Minimum 8%
Sales growth	Above industry average	Achieved	Achieved	Achieved	Achieved	Achieved	Above industry average

In 2005 the Group achieved the long-term financial targets that were set by the Board of Directors in 2001.
In June the Board of Directors confirmed the Group's new financial targets up to 2010. In addition to the targets in the table above, the equity ratio target has been set at a level of at least 50 per cent.

Dividend policy

Stockmann's Board of Directors has set the dividend payout target at a minimum of half of the earnings derived from the company's ordinary operations. The financing required to grow operations is nevertheless taken into account in determining the dividend.

Stockmann in 2005

Key figures

		FAS 2001	FAS 2002	FAS 2003	FAS 2004	IFRS 2004	IFRS 2005
Sales	EUR mill.	1 537.6	1 582.3	1 698.6	1 735.0	1 735.0	**1 851.3**
Change in sales	%	4.7	2.9	7.4	2.1	2.1	**6.7**
Revenue	EUR mill.	1 281.9	1 315.3	1 412.7	1 445.0	1 445.0	**1 542.6**
Staff expenses	EUR mill.	179.0	184.9	194.9	202.2	202.2	**218.0**
Share of revenue	%	14.0	14.1	13.8	14.0	14.0	**14.1**
Operating profit	EUR mill.	46.3	61.9	65.7	71.4	79.8	**103.7**
Share of revenue	%	3.6	4.7	4.7	4.9	5.5	**6.7**
Profit before taxes	EUR mill.	51.2	68.6	74.0	79.1	78.9	**102.8**
Investment in fixed assets	EUR mill.	31.1	25.8	40.9	59.0	59.0	**57.0**
Total assets	EUR mill.	728.2	752.7	800.8	750.4	749.0	**761.5**
Share capital	EUR mill.	102.8	102.8	105.3	106.8	106.8	**109.0**
Market capitalization at December 31	EUR mill.	696.0	710.1	955.6	1 140.8	1 140.8	**1 761.3**
Dividend paid	EUR mill.	30.6	45.9	123.3	53.0	53.0	**59.5** *
Dividend per share 1)	EUR	0.60	0.90	2.35	1.00	1.00	**1.10** *
Earnings per share 1)	EUR	0.68	0.97	1.01	1.11	1.13	**1.44**
Earnings per share, diluted 1)	EUR	0.68	0.97	1.00	1.09	1.11	**1.42**
Equity ratio	%	69.5	69.7	68.3	65.5	62.5	**66.4**
Return on equity	%	6.9	9.6	9.6	11.2	12.2	**15.8**
Return on capital employed	%	9.8	12.6	13.2	14.3	14.8	**19.6**

1) Adjusted for share issues.

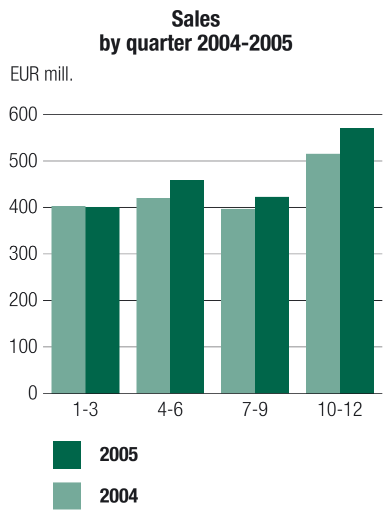
*) Board proposal to the AGM. According to the proposal, a dividend of EUR 1.10 per share will be paid.

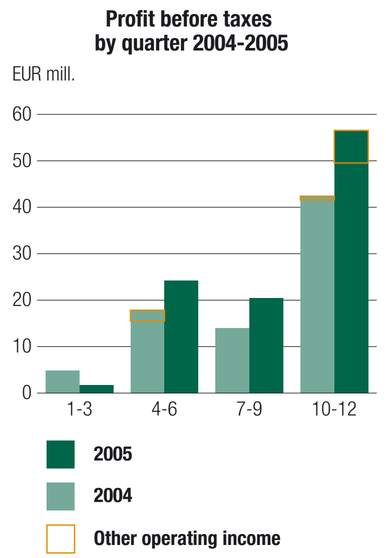
Sales by quarter 2004-2005, EUR mill.

	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Q1 2005	Q2 2005	Q3 2005	Q4 2005
Department Store Division	199.6	212.4	216.6	310.2	213.4	253.5	242.6	361.1
Stockmann Auto	117.9	126.4	95.5	97.3	96.5	121.6	95.4	100.6
Hobby Hall	56.6	47.0	46.2	64.6	60.5	42.7	43.9	63.4
Seppälä	28.6	33.5	38.1	43.5	30.0	39.9	40.1	45.1
Eliminations + unallocated	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Total	402.9	419.6	396.7	515.8	400.6	457.9	422.3	570.5

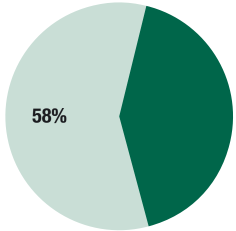
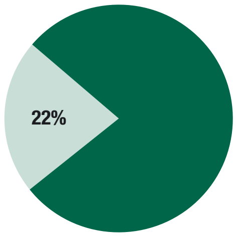
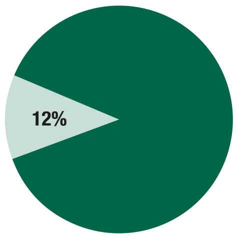
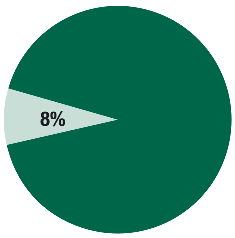
Operating profit by quarter 2004-2005, EUR mill.

	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Q1 2005	Q2 2005	Q3 2005	Q4 2005
Department Store Division	3.4	11.5	11.7	37.1	0.6	15.2	13.3	41.2
Stockmann Auto	2.1	3.6	0.9	0.5	0.2	1.5	0.8	0.7
Hobby Hall	-0.7	-0.9	-2.7	1.5	0.7	0.2	0.9	4.3
Seppälä	-0.6	4.4	5.3	8.0	1.3	8.4	6.9	14.5
Eliminations	0.5	0.5	0.7	-3.5	-1.1	-1.5	-1.4	4.3
Unallocated	-0.8	-0.4	-1.1	-1.2	-0.1	0.7	-0.9	-7.0
Total	4.0	18.6	14.8	42.4	1.6	24.6	19.5	58.0

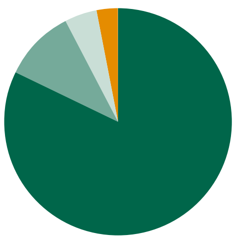




Divisions in short

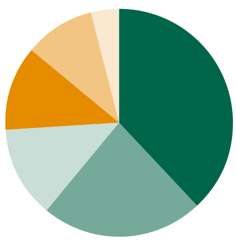
Divisions and their management	Offerings	Locations	Share of Stockmanns sales
Department Store Division Heikki Väänänen	Offers customers a knowledgeable shopping environment and good service in a congenial atmosphere. The key to Stockmann's success is a unique and broad assortment of good products at competitive prices.	• 7 department stores, 6 Academic Bookstores, 4 Zara stores, 11 Stockmann Beauty stores and an oddment store in Finland • 3 department stores, 3 Bestseller stores and an oddment store in Moscow, Russia • 2 speciality stores and 1 Bestseller store in St Petersburg, Russia • A department store in Tallinn, Estonia • A department store in Riga, Latvia	**EUR 1 070.6 mill.** 
Stockmann Auto Klaus Sundström	A very wide range of high quality car makes and models. Will transfer to new owners on March 1, 2006.	• 9 outlets in the Helsinki metropolitan area: Ford, Audi, Volkswagen and Škoda cars, a wide selection of trade-in vehicles as well as vehicle servicing and repair centres • An outlet in Turku: Ford dealership, a wide selection of trade-in vehicles as well as vehicle servicing and repair centre • An outlet in Tampere: Ford and Škoda dealerships, a wide selection of trade-in vehicles as well as vehicle servicing and repair centre • An outlet in Oulu: BMW and MINI cars, a wide selection of trade-in vehicles as well as vehicle servicing and repair centre	**EUR 414.1 mill.** 
Hobby Hall Raija Saari	Hobby Hall offers an easy, reliable and pleasant alternative for buying quality products at affordable prices. Its offerings consist primarily of household and leisure articles.	• Finland's largest mail order sales company and leading online store • 2 stores in Finland: in Helsinki and Vantaa • Estonia's largest mail order sales company, an online store, a store in Tallinn • Latvia's largest mail order sales company	**EUR 210.5 mill.** 
Seppälä Terhi Okkonen	Offers customers women's, men's and children's apparel, shoes and cosmetics at reasonable prices. The collections are based on Seppälä's own product design and own brands. Seppälä's expertise rests on the correct combination of basic and trendy products.	• Finland's and Estonia's most extensive chain of fashion stores • 125 stores in Finland • 14 stores in Estonia • 8 stores in Latvia • 3 stores in Lithuania • 7 stores in Russia	**EUR 155.2 mill.** 

Sales by market



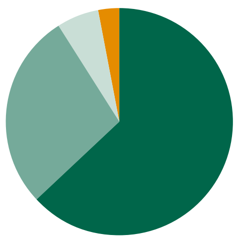
- 82.2% Finland
- 10.2% Russia
- 4.6% Estonia
- 3.0% Latvia
- 0.0% Lithuania

Sales by sector



- 38% Fashion
- 23% Motor vehicles
- 13% Home
- 12% Food
- 10% Leisure
- 4% Books, publications, stationery

Distribution of operating profit by division



- 63% Department Store Division
- 28% Seppälä
- 6% Hobby Hall
- 3% Stockmann Auto

Major events in 2005

January
- With the aim of streamlining Stockmann's Group structure and increasing the transparency of operations, Stockmann's Vehicle Division was incorporated as an independent company as from 1 January 2005 through a transfer of business operations to the parent company's wholly-owned subsidiary Stockmann Auto Oy Ab. Klaus Sundström, head of Stockmann's Vehicle Division, was appointed the company's Managing Director.
- Stockmann adopted International Financial Reporting Standards (IFRS) on January 1, 2005.

February
- Stockmann opened Moscow's first Bestseller store operating on the franchising principle at the Mega North Shopping Centre. Bestseller is a Danish chain of fashion stores whose first store in Moscow will feature the Vero Moda and Only brands for women as well as Selected and Jack&Jones for men. A total of four Stockmann Bestseller stores were opened in Russia during 2005.

March
- Stockmann logged 50 years of operating as a Ford district dealer. Stockmann Auto and Ford together staged an impressive celebration of their half century of partnership.

April
- At its department store in Riga, Stockmann arranged Latvia's first Crazy Days, Trakās Dienas, which was a big hit.
- Seppälä opened its first store in Lithuania in Vilnius. Seppälä opened two further stores in Lithuania in 2005.

May
- The share subscription period with Stockmann's Loyal Customer options ended on May 31, 2005. A total of 12 851 Stockmann Loyal Customers exercised their options during 2001-2005, subscribing for 950 835 Stockmann Series B shares in all.
- Stockmann made an agreement on building a department store and shopping centre on Nevsky prospekt in the heart of St Petersburg. Stockmann will carry out and finance the project either independently or in cooperation with suitable investors. The investment will come to EUR 80-110 million. Plans call for opening the department store and shopping centre in 2008.
- Stockmann Auto and ISS Palvelut Oy, a facility services company, entered into a three-year agreement on the delivery of over a thousand Ford vehicles to ISS Palvelut. This is one of Finland's largest-ever car sale deals.

June
- Stockmann opened the flagship of its Zara chain stores in Russia in the best commercial location in the heart of Moscow, right at the head of Tverskaya, the city's leading high street. At the close of 2005, there were seven Stockmann Zara stores in Russia.
- The Stockmann Group's Board of Directors confirmed the Group's new financial targets up to 2010: a return on capital employed of at least 20 per cent, an operating profit margin of at least 8 per cent, market-beating average sales growth and an equity ratio of at least 50 per cent.
- The Stockmann Group's Board of Directors appointed Heikki Väänänen, managing director of Seppälä Oy, as director of Stockmann's Department Store Division and the Group's executive vice president, effective November 1, 2005. The previous head of the Department Store Division, Stockmann's executive vice president, Jukka Hienonen, took on the post of CEO of Finnair. Heikki Väänänen will also act as alternate to CEO Hannu Penttilä.
- The Helsinki City Council approved the town plan modification required for the enlargement and transformation project for the department store in the centre of Helsinki. As plans now stand, the enlargement – which will add about 10 000 square metres of retail space to the department store – will be completed stage by stage by the year 2010.

August
- The Stockmann Group's Board of Directors appointed Terhi Okkonen, sales director of Stockmann's Helsinki department store, as the new managing director of Seppälä Oy and a member of the Stockmann Group's Management Committee, effective November 1, 2005.

October
- Stockmann opened a full-scale department store with 11 000 square metres of retail space in Vantaa in the extension to the Jumbo Shopping Centre. The Jumbo department store is Stockmann's seventh and foreseeably its last department store in Finland.
- Stockmann Auto expanded its operations at its Tampere site and began selling Ford vehicles along with its previous Škoda sales. The outlet also offers servicing for Škoda, Mitsubishi and Ford vehicles. An opportunity for expanding operations opened up when the location clause of the Block Exemption Decree governing the motor trade at the EU level was abolished on October 1, 2005.

November
- Stockmann Auto expanded its operations at its site in Espoo's Niittykumpu district, where it started Škoda sales and servicing along with its previous Ford sales and servicing.

A list of Stockmann's Stock Exchange and financial releases on page 88 of the Annual Report.

Major events in the first part of 2006

- The Stockmann Group's Management Committee was strengthened by appointing the Department Store Division's director of international operations, Jussi Kuutsa, as Development Director for the Group's international operations and a member of the Management Committee, effective January 10, 2006.
- On January 20, 2006, Stockmann sold its subsidiary Stockmann Auto Oy Ab to Veho, the Volkswagen-Audi business to Kesko and the Ford dealerships in Turku and Espoo to SOK. Title to Stockmann Auto and the divested businesses will pass to the buyers on March 1, 2006, whereafter Stockmann will offer its loyal customers Veho's entire range of marques and launch wide-ranging loyal customer co-operation together with Veho. After the transactions are completed Klaus Sundström, managing director of Stockmann Auto Oy Ab and a member of the Stockmann Group's Management Committee, takes up special duties with Stockmann plc and resigns from the company's employ on August 31, 2006.
- Under an agreement signed on January 31, 2006, Stockmann will sell the entire shares outstanding in its subsidiary ZAO Stockmann-Krasnoselskaya, which is engaged in the Zara business in Russia, to the owner of the Zara brand, Inditex of Spain, and will focus on the rapid expansion of its own business in Russia. According to the agreement, the business will be carried on for the account of Inditex from January 1, 2006. The final agreement, the coming into force of which is contingent on approval by the Russian Anti-monopoly Committee, is supposed to be made on May 31, 2006, at the latest. Stockmann will continue the Zara business in Finland.
- On January 31, 2006, Stockmann signed an agreement according to which it will lease premises at the IKEA-owned Mega III Shopping Centre, the construction works on which are in progress in Southeast Moscow, for the fourth full-scale Stockmann department store in Moscow as well as retail space for a Seppälä store and a Bestseller franchising chain store. The project is estimated to be opened for commercial use around the turn of the year 2006-2007.
- On February 8, 2006, Stockmann announced that the Board of Directors will propose to the Annual General Meeting that new Loyal Customer share options be granted on the basis of purchases during 2006-2007.
- The Stockmann Group's Board of Directors appointed Stockmann's company lawyer and member of the Management Committee, Jukka Naulapää, as the Group's director, legal affairs, effective February 8, 2006.

Information for shareholders

Annual General Meeting

The 2006 Annual General Meeting of the shareholders of Stockmann plc will be held on Tuesday, March 21, 2006, at 4.00 p.m. in the Concert Hall of Finlandia Hall at the address Karamzininkatu 4, Helsinki.

Registrations for the meeting must be received no later than on March 15, 2006, at 4.00 p.m., telephone *+358 9 121 4020* or the company's website *www.stockmann.fi*.

Those shareholders are entitled to participate in the Annual General Meeting, who have been entered on March 10, 2006, as shareholders in the Shareholder Register kept by Finnish Central Securities Depository Ltd.

Also a shareholder whose shares have not been transferred to the book-entry system has the right to participate in the Annual General Meeting if that shareholder has been registered in the company's Share Register before September 28, 1994. In this case the shareholder must present, at the Annual General Meeting, his share(s) or other documentation indicating that title to the shares has not been transferred to the book-entry system.

Payment of dividend

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 1.10 per share be paid for the 2005 financial year. The dividend decided by the Annual General Meeting will be paid to a shareholder who on the record date for dividend payment, March 24, 2006, has been entered in the Shareholder Register kept by Finnish Central Securities Depository Ltd. The Board proposes to the Annual General Meeting that the dividend be paid on March 31, 2006.

Changes in name and address

We kindly request shareholders to report changes of address to the bank or to Finnish Central Securities Depository Ltd in accordance with the place where the shareholder's book-entry account is kept.

Financial information on Stockmann

Stockmann will publish the following financial reports in 2006:

- January-March Interim Report April 26, 2006
- January-June Interim Report August 9, 2006
- January-September Interim Report October 25, 2006

In addition to these reports, we will release a monthly report on the sales of the units.

Financial reports and releases are published in Finnish, Swedish and English.

All of Stockmann's stock exchange releases will be available on the Internet on their date of publication. Address: *www.stockmann.fi*.

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Information on Stockmann for investors

According to information we have received, the analysts mentioned below follow Stockmann on their own initiative. The list may be incomplete. Stockmann does not assume responsibility for analysts' assessments.

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Another year of strong earnings

Outperformance on long-term financial targets

The growth in private consumption continued its strong momentum in the Stockmann Group's market areas in 2005. Although growth in Finland was strong compared with most of the continental European economies, in the Baltic countries and Russia the growth in consumption again clearly outpaced Finland.

The Group had sales of EUR 1.85 billion, representing growth of EUR 116 million, or 7 per cent.

Sales in Finland were up 2 per cent, and at units abroad they rose by a hefty 37 per cent, driven both by the setting up of new stores and by strong same-store growth. Sales by the units abroad rose to 18 per cent of the Group's aggregate sales.

Consolidated net profit increased by about a third to EUR 103 million, which is clearly our best-ever result. The earnings figure includes about EUR 7 million of income from sources other than ordinary operations.

All the Group's divisions turned a profit. The Department Store Division and Seppälä improved on their record earnings of a year ago. Hobby Hall's result showed the best relative improvement, and the company succeeded in reversing the previous year's negative result to move solidly into the black. Only Stockmann Auto's earnings declined, but here the reduction was due to the change in accounting policies following the adoption of IFRS as well as to the loss of the Herttoniemi dealership that was transferred to the importer in mid-2004.

The Group reached and exceeded the long-term financial targets that were set in 2001, with the return on capital employed rising to 19.6 per cent and the operating profit margin to 6.7 per cent. As a consequence of this, in mid-year the Board of Directors set new long-term financial targets up to 2010: a return on capital employed of 20 per cent, an operating profit margin of 8 per cent and sales growth at a faster rate than the market. The equity ratio is to be kept at a level of at least 50 per cent.

The department stores and Seppälä gain an international footing profitably; Hobby Hall swings to profit

The Department Store Division again improved on its record earnings. October saw the opening in Finland of the seventh – and probably last for years to come – Stockmann department store in the extension to the Jumbo Shopping Centre in Vantaa near Helsinki. At sites abroad, the running-in phase of the department stores that have been opened over the past few years continued ahead. In Russia, a number of Zara and Bestseller franchising stores were opened. Stockmann's department store concept leads to excellent results outside Finland too, because already in its second full year of operations the department store in Riga turned in a positive result, and the earnings trend at the new department stores in Russia is also on track.

Seppälä kept up its splendid run of earnings improvements and expanded its operations abroad energetically. The company's operating profit from ordinary operations improved by about 50 per cent, and the reported operating profit of EUR 31.1 million, which includes a non-recurring capital gain of EUR 5.6 million on the sale of an office property, was up a whopping 80 per cent. The operating profit margin on ordinary operations was 20 per cent, which is top-class in the fashion business worldwide. During the year Seppälä opened up a new market area in Lithuania and built out its chain both in Latvia and Russia, where – notably – it opened its first stores in St Petersburg.

The year's biggest positive surprise was Hobby Hall's performance. The thorough work that has been done to restore the division's operations to health, in unison with a reorganization of marketing, purchasing and logistics, bore fruit, and the previous year's loss was reversed, with earnings moving strongly into the black at a faster rate than had been budgeted. Hobby Hall is now well placed to develop its operations and also to expand to new market areas in the future.

Decision taken to divest the vehicle business

Stockmann has been engaged in the motor trade, in one form or another, for about 100 years now.

In weighing up the role of the motor trade in Stockmann's future strategy, one of the factors that had to be assessed was the dramatic change in the competitive situation in the wake of the change in the Block Exemption regulation and the pressures this would exert on long-term profitability. Sticking with the motor trade would have meant committing a good deal of resources to this business in a situation in which a favourable trend in return on capital employed would have been uncertain, at the least. Concurrently, the Group has other major expansion and investment plans for its core units. Because we were offered a solution enabling the vehicle business to be sold as three large entities, at the same time being able to secure the employees' jobs, to continue offering vehicles and servicing to our Loyal Customers – to an even greater extent than before – and furthermore to receive a reasonable price on the sale arrangement, we decided to grab the chance.

On my own part, I wish to thank Stockmann Auto's entire staff and management for a job well done in difficult conditions and to wish them success in tackling new challenges.

Launching major inputs into future growth

Stockmann has set in motion a series of major inputs to secure future long-term growth. Uppermost among them are two of the largest investments in the company's history.

The first of these is the "All-time Stockmann" enlargement and refurbishment project at the main department store in Helsinki, for which all the permits and necessary agreements were put in order during last year and the first months of this year. When the project is completed, the Helsinki department store will get nearly 10 000 square metres of new retail space and new parking and logistics facilities with significantly improved capacity and driver accessibility. At the same time, the pedestrian environment in the vicinity of the department store will improve greatly when Keskuskatu is made into a pedestrian precinct. Before the project is finally completed in 2010, the department store and its immediate surroundings will be subjected to greater or smaller operating inconveniences, which will pose challenges for maintaining sales efficiency. I place my faith in the indulgence of our customers, since our service level may be somewhat compromised whilst the project is being carried out.

The second of these large projects, which has an almost equally large investment price tag, is the construction of a department store and shopping centre property on one of the best commercial sites in the heart of St Petersburg, along Nevsky prospekt, the city's high street. Plans call for erecting on our own site a 50 000-odd square metre building with a basement car park. Initially, about half of the retail space will be deployed for the department store and the Stockmann Group's other commercial concepts, and the remaining space will be let to external partners in cooperation. The intention is to start up business operations during the Christmas market in 2008. Even before that, the fourth full-scale Stockmann department store in Moscow will be opened in the Mega III Shopping Centre which will be built in Southeast Moscow.

The above-mentioned projects alone are in a size class totalling about EUR 250 million. This means a marked increase in the Group's capital expenditures over the next few years. Additionally, we will of course devote a good deal of resources to building out the department stores and Seppälä's store network, especially in Russia, but also in the Baltic market. For Hobby Hall too, Russia is a highly interesting market area now that the company's basic profitability has been restored.

In step with the strong growth in the Russian economy, the country has become an increasingly interesting operating environment for retailers. Stockmann and Inditex of Spain reached a joint understanding on terminating their long-term franchising agreement prematurely, with effect from the beginning of 2006, so that both partners can focus adequately on developing their own businesses in Russia. Stockmann sells its company engaged in the Zara business to Inditex, receiving on the deal consideration that will improve the Group's earnings in the current year significantly and enable it to make the required inputs into expanding operations in Russia.

Changes in Group management

Following the departure of executive vice president Jukka Hienonen to take over as CEO of Finnair, the Group Management Committee underwent a major overhaul. Heikki Väänänen, managing director of Seppälä, was appointed as the Group's new executive vice president and head of the Department Store Division, and Ms Terhi Okkonen, sales director of the Helsinki department store, was appointed to succeed Mr Väänänen as managing director of Seppälä. In order to ensure adequate resources for achieving growth abroad, Jussi Kuutsa, the Department Store Division's director of international operations, was appointed as the Group's development director for international operations and a member of the Management Committee, effective January 10, 2006. Klaus Sundström, managing director of Stockmann Auto, will be assigned to special duties following the divestment of his unit, and his duties as a member of the Management Committee will end at the beginning of March 2006.

Stockmann to continue paying good dividends and to issue new Loyal Customer options

The Group's good earnings trend has given it a stable dividend-paying capacity, which will be maintained in coming years as well despite the increase in investments. During 2005 the company's market capitalization again developed very favourably, clearly outperforming the stock exchange average. At the end of the year the market capitalization was 50 per cent higher than a year earlier. Factors that most likely contributed to the share price trend were the increased trading volume and the increase in foreign ownership, which now rose to over 10 per cent of all the shares outstanding.

The number of the company's shareholders has risen significantly over the past couple of years, mainly thanks to our well-received Loyal Customer share option programme. With the aim of continuing this successful programme, Stockmann's Board of Directors will propose to the Annual General Meeting in the spring a new share option programme by way of which Loyal Customers, through their purchases during 2006 and 2007, can influence the number of options they receive. According to the proposal, a maximum of 2 500 000 share options will be offered, and the subscription period for exercising them will extend all the way up to 2010.

Going for higher earnings again in 2006

Although the Group's sales will decline markedly in 2006 owing to the divestment of the vehicle business, our objective is nonetheless again to improve our aggregate result. The biggest expectations in this respect are for the earnings improvement potential of the Department Store Division's international operations and Hobby Hall.

Because the proceeds from the sales of Stockmann Auto and the Zara business in Russia will improve earnings significantly, the Group's objective is to post earnings in 2006 that are substantially higher than the previous year's figure.

My warm thanks go to our customers for the confidence they have shown in us and to our staff across the entire Group for a job well done in 2005.

Helsinki, February 8, 2006

Hannu Penttilä

Board of Directors and auditors

Lasse Koivu

Erkki Etola

Eva Liljeblom

Kari Niemistö

Christoffer Taxell

Carola Teir-Lehtinen

Henry Wiklund

Janne Heiskanen

Tuula Grönvall

Board of directors

CHAIRMAN
Lasse Koivu *
(b. 1943), B.Sc.(Econ.), managing director, Föreningen Konstsamfundet rf. Member of the Board since 1991.
SHARES: B 5 786

VICE CHAIRMAN
Erkki Etola **
(b. 1945), M.Sc.(Eng.), managing director, Oy Etola Ab. Member of the Board since 1981.
SHARES: A 1 841 676, B 994 722

Eva Liljeblom **
(b. 1958), D.Sc.(Econ.), professor, Svenska Handelshögskolan. Member of the Board since 2000.
SHARES: A 243, B 2 762

Kari Niemistö *
(b. 1962), M.Sc.(Econ.), managing director, Selective Investor Oy Ab. Member of the Board since 1998.
SHARES: A 2 801 876, B 966 242

Christoffer Taxell *
(b. 1948), LL.M., ministeri[1].
Member of the Board since 1985.
SHARES: A 2 250, B 4 074

Carola Teir-Lehtinen **
(b. 1952), M.Sc., Senior Vice President, Corporate Communications, Fortum Corporation. Member of the Board since 2004.
SHARES: B 1 865

Henry Wiklund *
(b. 1948), Kamarineuvos[1], managing director, Svenska litteratursällskapet i Finland rf. Member of the Board since 1993.
SHARES: A 720, B 3 830

Personnel representatives on the Board April 1, 2005 – March 31, 2006

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.

Janne Heiskanen
(b. 1970), Sales Manager, the department store in Jumbo, Vantaa. Personnel representative on the Board, elected by Stockmann's senior salaried employees.

Tuula Grönvall
(b. 1942), salesperson, chief shop steward, Seppälä. Personnel representative on the Board, elected by the Group Council.

Auditors

Wilhelm Holmberg
(b. 1950), M.Sc.(Econ.), Authorized Public Accountant. Stockmann's regular auditor since 2000.

Henrik Holmbom
(b. 1970), M.Sc.(Econ.), Authorized Public Accountant. Stockmann's regular auditor since 2003.

DEPUTY AUDITOR
KPMG Oy Ab

[1] a Finnish title
*Independent of the company
**Independent of the company and major shareholders

Information on the main job experience of the Board of Directors and their principal positions of trust is available on Stockmann's website at the address www.stockmann.fi.

Hannu Penttilä

Heikki Väänänen

Pekka Vähähyyppä

Raija Saari

Terhi Okkonen

Jussi Kuutsa

Jukka Naulapää

Management Committee

Hannu Penttilä
(b. 1953), LL.M., CEO. Joined Stockmann's 1978, at the present position since 2001.
SHARES: A 105, B 1 741
OPTIONS 2000: 150 000

Heikki Väänänen
(b. 1958), B.Sc.(Econ.), executive vice president with responsibility for the Department Store Division. Joined Stockmann's 2001, at the present position since 2005.
SHARES: B 2 629
OPTIONS 2000: 80 000

Pekka Vähähyyppä
(b. 1960), M.Sc.(Econ.), Chief Financial Officer. Joined Stockmann's 2000, at the present position since 2001.
SHARES: B 1 728
OPTIONS 2000: 80 000

Raija Saari
(b. 1961), M.Sc.(Econ.), managing director, Hobby Hall. At Stockmann's 1995-2001 and since 2004, at the present position since 2004.
SHARES: B 49
OPTIONS 2000: 17 950

Terhi Okkonen
(b. 1961), eMBA, managing director, Seppälä. Joined Stockmann's 1991, at the present position since 2005.
SHARES: B 111
OPTIONS 2000: 6 400

Jussi Kuutsa
(b. 1964), M.Sc.(Econ.), development director for the Group's international operations. Joined Stockmann's 1996, at the present position since 2006
SHARES: B 1 115
OPTIONS 2000: 25 500

Jukka Naulapää
(b. 1966), LL.M., director, legal affairs. Joined Stockmann's 1998, at the present position since 2006.
SHARES: B 367
OPTIONS 2000: 19 000

Stockmann plc shares and options in the personal ownership of the members of the Board of Directors and Management Committee as well as in the ownership of their spouses, institutions under their control and persons under their guardianship reported at December 31, 2005. Updated 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 company's website www.stockmann.fi. Information on Stockmann plc shares and options on pages 44–48 and 50 of the Annual Report.

In October, Stockmann opened its newest department store, in the extension to the Jumbo Shopping Centre in Vantaa. The department store's impressive entrance is the extension's eye-catcher.

A year of excellent performance and growth

Stockmann's Department Store Division operates in Finland, Russia and the Baltic countries. The department stores in Finland are located in the centre of Helsinki, in the Itäkeskus Shopping Centre as well as in Vantaa and Espoo in the metropolitan area, and in Turku, Tampere and Oulu. In Finland the Department Store Division also comprises the Academic Bookstores and the specialty chains Stockmann Beauty and Zara.

Outside Finland, the Department Store Division has three department stores in Moscow, a department store in Tallinn and Riga, two speciality stores in St Petersburg as well as the franchising chain of Bestseller fashion stores in Russia.

The key to the Department Store Division's success is a broad assortment of international branded products at competitive prices, together with good service from skilled staff.

The Department Store Division's sales inclusive of VAT were EUR 1 070.6 million, up 14 per cent on the previous year. The division had revenue of EUR 899.4 million and posted operating profit of EUR 70.3 million. Operating profit improved by 10 per cent on the figure a year earlier.

Sales by the department stores, Academic Bookstores and specialty retail chains in Finland amounted to EUR 797.0 million, an increase of EUR 50.9 million, or 7 per cent. The strongest growth in sales, 42 per cent, was reported by international operations. Growth was spurred by the third department store in Moscow, which opened in December 2004, and the new fashion stores. The department stores in Tallinn and Riga also reported excellent growth. International operations' share of the division's sales rose to 26 per cent.

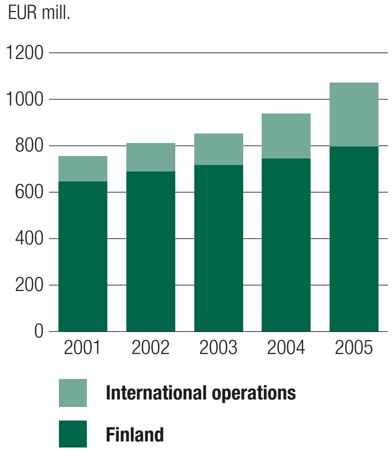
The Department Store Division is seeking profitable growth in Finland, Russia and the Baltic area. In Finland, the department stores have operated efficiently for many years now and rank among Europe's best. In Russia and the Baltic countries, profitability is improving year by year.

The division's primary economic objectives are an improvement in the gross margin level, the efficient employment of capital and rigorous cost management. During the year ⇨

Key figures

DEPARTMENT STORE DIVISION, EUR mill.	2005	2004	change %
Sales	**1 070.6**	938.8	14
Proportion of Group Sales, %	**57.8**	50.7	
Operating profit	**70.3**	63.7	10
Return on capital employed, %	**19.7**	18.9	
Capital employed	**357.8**	338.0	6
Investments	**47.3**	48.8	
Staff, December 31	**9 222**	8 426	9
Sales area, square metres	**176 749**	149 763	18

Development of the Department Store Division's sales 2001-2005



Development of the Department Store Division's operating profit 2001-2005

The theme of Stockmann's big autumn campaign this time was exotic Shanghai.

the gross margin remained at the level of the previous year, 40.9 per cent, and the return on capital employed was 19.7 per cent (18.9 per cent). Total expenses increased by 15 per cent, due in large part to the new stores opened in Russia. The Department Store Division's operating profit improved by EUR 6.6 million.

Rapid growth in Russia

Stockmann has set the target of increasing the share of sales and operating profit generated abroad to a third of the Group's sales and operating profit by the end of 2008.

In order to do its part in reaching these objectives, the Department Store Division opened a department store in Riga in October 2003 and two department stores in Moscow in 2004.

In addition to the department stores, at the end of 2005 Stockmann already had seven Zara stores in Moscow. In 2005 Stockmann furthermore opened four Bestseller stores, three of which are in Moscow and one in St Petersburg. The number of Bestseller stores can be increased further in Moscow and St Petersburg. Plans also call for expanding operations to other major Russian cities. Lease agreements have already been made for the purpose of opening the first Bestseller stores in Kazan.

Franchising business

Many western companies have opted to turn trading in Russia over to a local entrepreneur on a franchise basis. A number of international retail chains and fashion brands have shown interest in the know-how Stockmann has acquired in the Russian market. The first partner in cooperation was Inditex of Spain, which owns the Zara chain, with whom franchising cooperation in Russia got started in 2002.

The growing Russian market has rapidly become an increasingly interesting environment for retailers. Accordingly, Inditex and Stockmann have reached a joint understanding to terminate their previous contractual arrangements as from the beginning of 2006 and concentrate on expanding their own operations in Russia. The resources freed up from Zara will go towards supporting the Department Store Division's own growth in Russia. In Finland, the Department Store Division will continue operating Zara stores.

In 2004, Stockmann signed a cooperation agreement with Bestseller, its long-time partner in Denmark, on implanting Bestseller's Jack & Jones, ONLY, Vero Moda and Selected chains in Russia. The successful cooperation with Bestseller is continuing.

A new department store to be opened in St Petersburg in 2008

In 2005 Stockmann signed an agreement on purchasing a 10 000-odd square metre commercial plot in the heart of St Petersburg on Nevsky prospekt, right next to the Vosstaniya Square underground station. On this site Stockmann will build a shopping centre of about 50 000 square metres of gross floor space. This will be the site of Russia's largest department store – boasting about 20 000 square metres of floor space – and it will house other businesses as well. The shopping centre and department store are scheduled to open in autumn 2008.

St Petersburg is an ever-developing metropolis with a population of five million people, many of whom have visited Finland. This makes the Stockmann name well known in St Petersburg. Stockmann's first store in St Petersburg was opened back in 1993. Thanks to long years of experience, the company is well acquainted with the market situation in St Petersburg and knows the available disposable income.

A fourth department store in Moscow

By now, Ikea has commissioned the building in Moscow of two large and prospering Mega shopping centres that also have Stockmann department stores as well as stores belonging to the fashion chains operated by Stockmann. Now that Ikea has decided to build a third Mega in Moscow, Stockmann has elected to open there Moscow's fourth department store, which will have about 12 000 square metres of retail space.

The new Stockmann Beauty chain has been a big success and already has 11 stores in different parts of Finland.

The revitalized ladies' lingerie concept now includes more trendy brands for young women.

A memorandum of intent has been signed on the deal, and the new department store is scheduled to open at or around the turn of the year 2006-2007. Stockmann will also lease space in the new Mega to its fashion stores.

Moscow's Mega South shopping centre has been characterized as being the world's largest shopping centre as measured by the number of visitors. Now that the good growth in the numbers of customers at the Mega North shopping centre has also been demonstrated there is every reason to believe that the third Mega shopping centre in Moscow will continue this success story. This is why Stockmann is signing on for this third Mega shopping centre project. In addition to the stores that will be opened in the new Mega, Stockmann will open further fashion stores in Moscow in 2006.

Opening a department store always eats into the company's operating profit for a short time. Experience has shown that the profitability threshold of a new department store can be reached in three years from its opening. The operating result for the first year is generally in the red, as customers gradually learn to shop at the new location and the company adjusts its product portfolios to local demand. The losses in the first year are also the biggest in the department store's life cycle. After reaching the breakeven point, the growth in the department store's sales and earnings can continue uninterrupted for quite a long time. Nearly all of Stockmann's new department stores in recent years have followed this curve.

Stronger growth in demand in the Baltic countries and Russia than in Finland

For the Department Store Division, the fashion trade is a mainstay of the business: it makes up nearly half of the division's aggregate sales. In 2005 the department stores' fashion sales in Finland grew by 9 per cent, which can be considered a good achievement for a company defending a large market share in the face of tough competition. The best same-store growth figures were registered in the cosmetics (up 14 per cent), youth clothes (up 11 per cent) and men's clothes (up 9 per cent) areas.

Sales of cosmetics were also lifted by the opening of three new Stockmann Beauty specialty stores at the Iso Omena and Sello shopping centres in Espoo, near Helsinki, as well as in the town of Jyväskylä, bringing the number of the chain's stores to 11. The growth in grocery sales (up 4 per cent) outpaced the market. In electronics (up 12 per cent) and leisure products (up 7 per cent) too we outperformed the market. The growth figures for the bookstore (1 per cent) and household articles (6 per cent) were in line with the retail average.

The Baltic and Russian economies grew at twice the pace of Finland. The same-store growth of Stockmann's sales in the Baltic countries and Russia was likewise considerably stronger than in Finland.

Finland's seventh Stockmann department store opens

Stockmann has adopted a strategy of concentrating on large department stores having over 10 000 square metres of retail space. According to international comparisons, large department stores outperform small ones. In the Finnish market, units in this size class can only be established in agglomerations with a population of over 200 000 people.

With the opening of a Stockmann department store in the Jumbo Shopping Centre in Vantaa in autumn 2005, a gap in the network has now been filled in the growth zone north of metropolitan Helsinki. Henceforth, it is very improbable that room can yet be found in Finland – in line with the present strategic choices – for a new full-scale Stockmann department store. On the other hand, the continuous development of the existing department stores is an important success factor.

A major upgrade to the department store in the centre of Helsinki

The local department stores in Finland were refurbished at the beginning of the 2000 decade in order to align them with the needs of this millennium, and they are now in very good condition. A major upgrade programme will be started at the department store in the centre of Helsinki, and it will ⇨

At the new consumer electronics departments, customers get a first-hand feel for the ease and compatibility of today's electronic devices.

As a prelude to the All-time Stockmann enlargement project that got under way at the Helsinki department store, customers were introduced to the stylish and high-performance new lifts.

last from 2006 to 2010. This upgrade to the department store – built in 1930 – will be the Stockmann Group's largest-ever single investment. The project will add to Stockmann's main department store 10 000 square metres of new retail space, modern logistics solutions and new social facilities for the staff. Other new features that customers will appreciate are a 600-vehicle car park as well as a Stockmann Delicatessen that operates on one level and has nearly double the floor space of the present Delicatessen. Already today, the Stockmann Delicatessen in the department store in the centre of Helsinki is Finland's largest grocery store in terms of sales.

The project for upgrading the department store in Helsinki has a cost estimate of about 125 million euros. When completed, it will offer more convenient shopping for customers in the department store and boost sales substantially.

Continuing success for Crazy Days

For years, Stockmann has worked hard to keep its department stores, with their good quality image, at the top of the league in volume sales too. In all product groups, the customer is offered a wide assortment of different-priced products.

Stockmann has succeeded in developing its Crazy Days campaign into Europe's largest and best-known department store campaign. Selling quality products at unbelievably crazy prices is a formula which has enabled the Stockmann department stores to rack up a new sales record twice a year without interruption for 39 times in succession. The department stores' sales nearly quintuple on each of the four campaign days during April and October. These eight annual Crazy Days at present already make up over 8 per cent of the entire Department Store Division's annual sales.

Stockmann's Crazy Days has become a concept. In 2005 Crazy Days pulled in aggregate sales of EUR 88 million. The growth on the previous year's Crazy Days was 23 per cent in April and 18 per cent in October.

In Tallinn, Crazy Days have now firmly established the position the same way as in Finland, and the first Crazy Days at the department store in Riga in 2005 were a stellar success. Encouraged by this momentum, Stockmann will take the Crazy Days event – which has now crystallized into a branded product – to Moscow in spring 2006.

Loyal Customer card logs 20 years

Stockmann pioneered loyal customer systems in Finland when it started its own loyal customer activities in 1986. Over the years, a close relationship has been forged with Loyal Customers. Each month they are offered interesting and timely benefits both in a Loyal Customer benefit booklet that is mailed to their home and on Stockmann's website. In Finland there are by now over 870 000 Loyal Customers and a total of more than 340 000 in the Baltic countries and Russia.

For our best Loyal Customers, we have developed the Exclusive group whose emblem is their own platinum-coloured Exclusive card. Contacts with this group are maintained through channels such as the Stockmann Exclusive customer magazine. The best Loyal Customers are also invited each year to the highly popular Loyal Customer evenings, featuring a special programme, which the department stores arrange around different themes. All in all, over 20 000 people took part in the Loyal Customer evenings in 2005.

Embarking on 2006 with confidence

In international comparisons, Stockmann's department stores rank high in profitability. The Department Store Division has succeeded in increasing its sales by nearly 50 per cent over the past five years. Concurrently, the gross margin has improved from 37.4 per cent to 40.9 per cent. During the five-year period, a total of EUR 134.2 million has been invested in building new department stores and developing existing ones both in Finland and abroad. In spite of the strong rate of investment, the return on capital employed, a measure of capital efficiency, has held steady at a good level of over 15 per cent.

Growth in consumption demand is expected to continue in 2006 in the entire area where Stockmann's Department Store

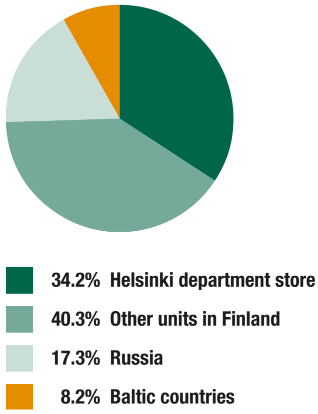
Even when on the go, customers can easily find bestsellers on Academic Bookstore's Top Ten shelves

Latvia's first Crazy Days, Trakās Dienas, were a big hit and Rigans quickly became acquainted with the yellow spooks.

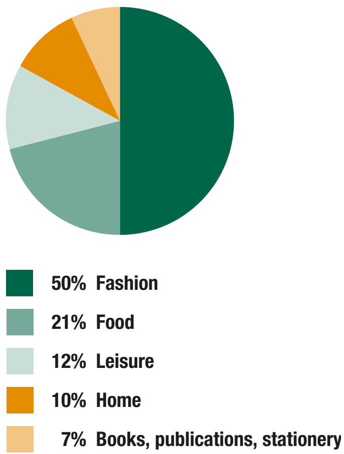
Division operates. In Finland, demand is forecast to remain moderately good. In the Baltic countries and Russia, growth is expected to slow down somewhat, but nonetheless will head upward at about double Finland's pace.

The Department Store Division's operating profit is expected to continue growing. The department store that was opened at the Jumbo Shopping Centre in October 2005 will play its part in lifting the division's sales growth in Finland. Although the Zara business in Russia was sold, the operating profit generated by international operations can be expected to improve, because the start-up costs of the new department stores that were opened in 2003-2004 are now largely behind us. The fashion stores that are to be opened in Russia will contribute to promoting the Department Store Division's sales growth and also boost earnings in 2006.

Distribution of the Department Store Division's sales by unit 2005



Distribution of the Department Store Division's sales by sector 2005



Stockmann Auto entered into an agreement with ISS Palvelut Oy, a facility services company, on the delivery of over a thousand Fords over a three-year period. ISS chose silver grey as the colour of its vehicles. Shown here, Pertti Välisalmi of Stockmann Auto is handing over a company car to ISS's service director, Taina Huttunen.

The vehicle business taken over by new owners

The range of marques for which Stockmann Auto acts as a dealer are Ford, Audi, Volkswagen and Škoda in the Helsinki metropolitan area; Ford and Škoda in Tampere; Ford in Turku as well as BMW and MINI in Oulu. Stockmann Auto's servicing covers Ford, Volkswagen, Audi, Volvo, Renault, Škoda, BMW and MINI in the Helsinki metropolitan area as well as Škoda, Mitsubishi and Ford servicing in Tampere, Ford servicing in Turku and BMW and MINI servicing in Oulu. Operations will be transferred to new owners on March 1, 2006.

New vehicle sales remained at a high level, with 148 161 car registrations and 14 090 for vans. The private consumer market was up 1.6 per cent, and the company car market rose by 7.9 per cent.

Despite the improvement in the equipment offered with new cars, prices of new vehicles rose only moderately. The price level of used vehicles declined all year long. The volume of servicing and spare parts sales grew in step with an increase in motoring.

Growth in like-for-like figures

Stockmann Auto delivered a total of 8 336 new vehicles and 8 477 used ones. The volume of new vehicle sales was down 11 per cent and used vehicle sales fell by 5 per cent. A big factor behind the drop in sales was the transfer of the Volkswagen-Audi dealership in Helsinki's Herttoniemi district to the importer as from 1 July 2004. Stockmann Auto's like-for-like sales outstripped the market growth. The like-for-like growth in total deliveries was 2 per cent. Deliveries of new cars came in at 7 156 (7 204 in 2004), and deliveries of new vans totalled 1 180 (1 062 in 2004).

Stockmann Auto carried out 194 299 servicing jobs during the year, including related sales of spare parts. The volume of servicing jobs grew by 2.8 per cent.

In the comparative earnings figures according to IFRS, the payment received from Helsingin VV-Auto Oy for the transfer of the business in July 2004 was recorded in Stockmann Auto's operating profit. This made operating profit for 2005 markedly lower than that reported a year earlier. Stripping out the effect of the Volkswagen-Audi unit in Herttoniemi that was transferred to Helsingin VV-Auto Oy, including the transfer payment, Stockmann Auto's operating profit improved slightly on 2004.

The profitability of new vehicle sales improved, but sales of used vehicles were loss-making, partly owing to the drop in prices.

The return on capital employed was below target. It averaged 4.8 per cent (12.4 per cent in 2004).

An expanded range of marques

In the early part of the year, servicing and repairs were started for Volvo and Renault vehicles at the outlet in Helsinki's Lauttasaari district and for BMW/MINI vehicles in Pitäjänmäki.

The competition restriction concerning the motor trade, i.e. the location clause of the Block Exemption, was abolished on October 1, 2005, meaning that a car dealer can now freely establish a sales and servicing outlet in the EU area provided that the outlet and its operations meet the quality requirements set by the manufacturer. Following the removal of the location clause from the Block Exemption, Stockmann Auto launched Škoda sales and servicing in Espoo's Niittykumpu district as well as Ford sales in Tampere.

Stockmann Auto business purchased by Veho, Kesko and SOK

On January 20, 2006, Stockmann sold the entire shares outstanding in its subsidiary Stockmann Auto Oy Ab to Veho Group Oy Ab, Stockmann Auto's Volkswagen-Audi business to Kesko Corporation's subsidiary VV-Auto Oy and its retailing company Helsingin VV-Auto Oy, as well as the Ford dealerships in Turku and Espoo to Maan Auto Group, owned by SOK Corporation. Title to Stockmann Auto and the divested businesses will pass to the buyers on March 1, 2006.

Stockmann will launch wide-ranging loyal customer cooperation together with Veho and offer its loyal customers Veho's entire range of marques.

Key figures

STOCKMANN AUTO, EUR mill.	2005	2004	change %
Sales	**414.1**	437.1	-5
Proportion of Group Sales, %	**22.4**	23.6	
Operating profit	**3.1**	7.0	-55
Return on capital employed, %	**4.8**	12.4	
Capital employed	**65.4**	56.6	15
Investments	**2.7**	4.4	
Staff, December 31	**687**	704	-2

Up to 20 000 or more packages are dispatched to customers daily from the Viinikkala Logistics Centre. The stepped-up efficiency is also feeding through into earnings.

A big improvement in earnings

Distance retailer Hobby Hall markets products and services to its customers via catalogues, an online store and its own stores. Its assortment consists primarily of household and leisure articles. Hobby Hall offers its customers in Finland, Estonia and Latvia an easy, reliable and pleasant alternative for buying quality products at affordable prices.

The Hobby Hall Division's sales were EUR 210.5 million, down 1.5 per cent on the figure a year earlier. Revenue was EUR 174.7 million. The volume of packages dispatched to customers was 1.8 million, a decrease of 21 per cent on the previous year. The sales trend was affected by the withdrawal from the Lithuanian market at the beginning of the year.

Cost effectiveness improved considerably, and costs were down 11 per cent on the previous year.

Operating profit, EUR 6.1 million, was markedly above target and EUR 9.0 million better than a year ago.

A year of changes

2005 saw a number of important development actions carried out at Hobby Hall with the aim of improving profitability and bolstering the company's good financial health in coming years as well.

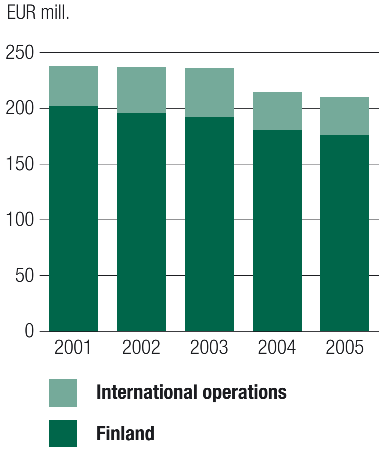
The centralization of most of the stock functions at the Viinikkala logistics centre and the other development measures carried out improved efficiency and brought significantly lower logistics costs.

Marketing communications were revamped and the new programme was carried out at lower cost. The changes were well received by customers. A qualitative study was conducted during the year with the aim of gaining a better idea of how Hobby Hall is perceived by consumers. The results of the study will be used in developing functions further. ⇨

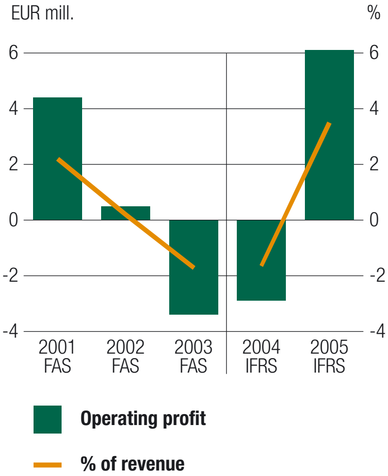
Key figures

HOBBY HALL, EUR mill.	2005	2004	change %
Sales	**210.5**	214.4	-2
Proportion of Group Sales, %	**11.4**	11.6	
Operating profit	**6.1**	-2.9	
Return on capital employed, %	**7.0**	-3.2	
Capital employed	**87.7**	90.9	-4
Investments	**1.3**	1.2	
Staff, December 31	**677**	708	-4

Development of Hobby Hall's sales 2001-2005



Development of Hobby Hall's operating profit 2001-2005



Online sales are growing by leaps and bounds – up by over 30 per cent in Finland and 76 per cent in Estonia.

Sales of flat-screen televisions showed robust growth. All in all, consumer electronics are enjoying strong demand.

Hobby Hall has a very well-functioning customer management system that supports address sampling tailored to the objectives of each campaign. System utilization is being refined further, and possible segmentation alternatives are being mapped out. The information obtained will be analyzed more closely than up to now and the conclusions will be utilized in planning future campaigns.

Important changes were made in the purchasing department, with an accent on overhauling procedures and operational models as well as developing supplier relationships. Concurrently, the department's organization was realigned. The objective is to offer customers an assortment that is increasingly high-quality, changing, versatile and competitive.

Planning work on the second stage of the information system upgrade moved ahead according to the agreed timetable. When this project is completed, assortment management, billing practices and customer service will be enhanced significantly, bringing cost savings and improved customer satisfaction.

The reporting system will also be renewed as part of the information system upgrade. The new reporting tools are to go into use during 2006.

The staff have played a key role in bringing about these changes. Training has been an essential part of the change process. During 2005 all supervisors participated in supervisor training and, additionally, all the staff responsible for purchasing went through training designed to improve the purchasing function. A training day was arranged for the entire organization in Finland, and it was also an event that boosted group spirit. Internal information was improved, and interaction at different levels of the organization was expanded. A workplace atmosphere survey of the entire organization was arranged for the first time, and it is to be conducted annually. The survey will provide useful information on staff contentment and the development of functions. Actions aiming to improve the staff's well-being were planned and they will continue to be carried out during 2006.

A strong market leader in Finland

Hobby Hall's sales in Finland were EUR 177 million, down 2 per cent on the figure a year earlier. Like-for-like sales, eliminating the effect of two stores that were closed in 2004, were down 1 per cent. Hobby Hall has retained its position as the strong market leader in distance retailing in Finland.

The volume of online orders placed showed further strong growth in Finland and was up 30 per cent on the previous year. Online sales accounted for 36 per cent of Hobby Hall's distance retailing in Finland, compared with 27 per cent a year ago. During the year the number of visitors to the online store grew by 31 per cent on the previous year.

The task of the two stores in Finland is to support distance retailing.

Enhancing functions in Estonia and Latvia

Operations in Lithuania were wound up in the first part of the year, and developing operations in the Baltic area were focused in Estonia and Latvia.

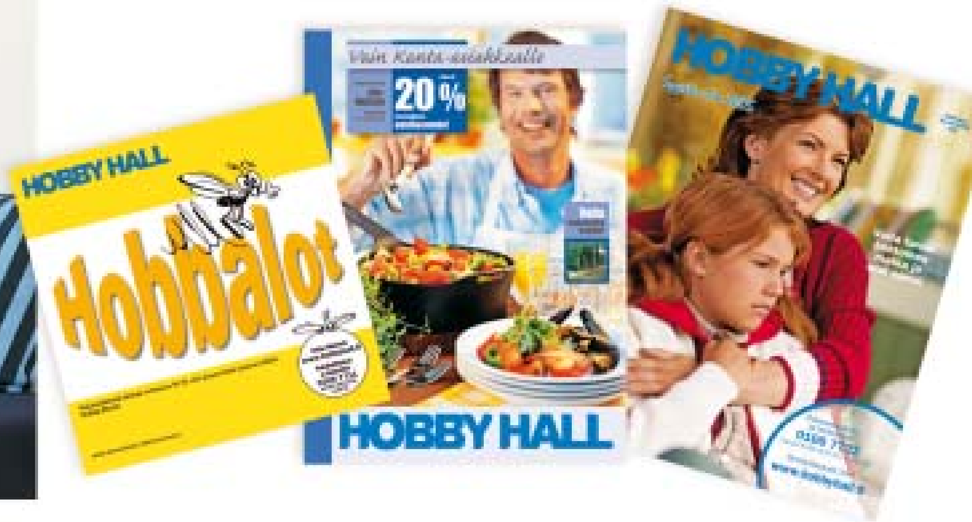
Sales in the Baltic countries amounted EUR 34 million, on a par with the figure a year earlier. The growth in like-for-like sales was 11 per cent.

In Estonia the growth in online sales accelerated and hit 76 per cent. In addition to online sales, a store that supports online retailing operates in Estonia. To date, sales catalogues are the only sales channel employed in Latvia.

Cost savings were realized in the Baltic area by centralizing merchandise returns in Estonia beginning last May. The organization in Latvia was downsized.

The marketing communications image was revitalized and the dates when catalogues come out were also changed in the Baltic area. Marketing and the product assortment are undergoing further development.

Hobby Hall is offering an expanded range of brands. Cooperation with Marimekko started up towards the end of the year.



Hobby Hall has revamped both its marketing programme and the visual appeal of its marketing communications. The new look has been well received by customers.

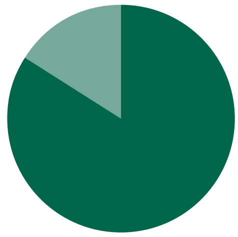
Outlook for 2006

Hobby Hall's objective in 2006 is to achieve a further improvement in operating profit and the return on capital employed.

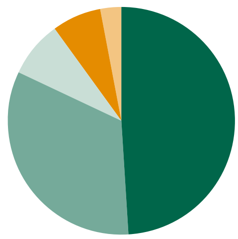
Profitable growth will be sought by developing the product range, improving the gross margin, merchandise availability and the turnover rate as well as through measures aiming at enhancing logistics and product return functions. The upgrade of the information system will begin delivering increased efficiency from the autumn of 2006.

Further steps are being taken to step up marketing. Especial attention will be paid to Loyal Customer marketing and the acquisition of new customers. The competitiveness of online sales will be boosted further.

Distribution of Hobby Hall's sales by market 2005



Distribution of Hobby Hall's sales by merchandise sector 2005



Seppälä is staking out new market areas at a fast clip. Shown here is the opening of the store in Kaunas, Lithuania, in December 2005.

Earnings hit a new record

Seppälä is Finland's most extensive chain of fashion stores. In addition to the 125 stores in Finland, Seppälä operates in Estonia, Latvia, Lithuania and Russia. The stores are sited in prime commercial locations. Seppälä offers fashion clothes and accessories for women, men and children as well as footwear and cosmetics. Centralized chain-store operations guarantee affordable prices together with reliable quality. Seppälä's collection is based on its own design.

Seppälä reported sales in 2005 of EUR 155.2 million, an increase of 8 per cent on the figure a year earlier. Revenue was EUR 128.1 million. Women's apparel continued to account for a growing share of aggregate sales. Children's and men's clothes occupied a smaller relative share in sales. The division posted operating profit in 2005 of EUR 31.1 million, or 24 per cent of revenue. In line with its strategy of freeing up capital, Stockmann sold Seppälä's head office property. The capital gain of EUR 5.6 million booked on the transaction is included in operating profit for 2005, which, even excluding this capital gain, rose by EUR 8.4 million, or 49 per cent, on the previous year's record operating profit.

Seppälä's profitability is at the same level as the best international fashion chains. The results of the operational model that has been purposefully developed in recent years – getting new fashion apparel to the stores every day – are now showing up in the chain's key figures.

The number of store visitors and purchasing customers increased compared with the previous year. The trend in the average purchase was particularly good in 2005, and Seppälä succeeded in lifting its relative gross margin further.

A strong network in Finland and Estonia

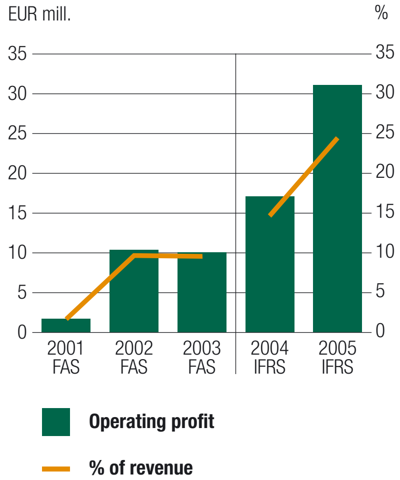
No significant changes are planned for the number of stores in Finland, presently at 125. In Estonia the situation is the same as in Finland: Seppälä has operated there for seven years now and it is the country's most extensive fashion chain. Seppälä has 14 stores in Estonia, and there is no longer room for new stores. In these countries where operations have become firmly established, the company must see to it that its sales growth at least matches the average rate. ⇨

Key figures

SEPPÄLÄ, EUR mill.	2005	2004	change %
Sales	**155.2**	143.7	8
Proportion of Group Sales, %	**8.4**	7.8	
Operating profit	**31.1**	17.1	81
Return on capital employed, %	**156.0**	81.1	
Capital employed	**20.0**	21.2	-6
Investments	**3.4**	1.2	
Staff, December 31	**1 156**	978	18

Development of Seppälä's sales 2001-2005

Development of Seppälä's operating profit 2001-2005



One of Seppälä's core competencies is fast goods throughput at the logistics centre in Vantaa. New products go out to the stores every day.

The biggest success of a record year was the women's collection.

Although it does not appear appropriate to expand the network of stores in Finland and Estonia as things now stand, continuing efforts must be made to ensure that the stores are modern and sited in prime commercial locations where consumers are on the move. Changes in the community structure and customers' purchasing behaviour may call for resiting Seppälä's stores. In 2005 two new stores were opened in Finland, seven stores moved into new premises and, additionally, 12 stores were refurbished in accordance with Seppälä's modern light-toned and fresh look. In Estonia one store moved into new premises.

Gaining firm footholds in new countries

The expansion to new countries nearby Finland that Seppälä launched in 2003 has gone very smoothly. All eight stores opened abroad in 2005 have showed their promise right from the opening day. Both sales and profitability have been in line with expectations. The proportion of stores abroad in Seppälä's sales rose from 11 per cent to 15 per cent during 2005.

In autumn 2003 the first stores were opened in Riga, Latvia's capital. December of 2005 saw the opening of the sixth Seppälä store in Riga and the eighth in Latvia. In a short time, Seppälä has gained a firm foothold in the country's clothing market.

Operations in Lithuania got under way in 2005. Lithuania is the most populous of the Baltic countries and has the largest disposable income. Three stores are now operating there, one of which is in Vilnius, the capital city. The aim is to build out operations in Lithuania the same way as in the other Baltic countries: gain a firm foothold in the capital city with several stores and then establish additional stores in other big towns.

The number of stores can be increased a good deal further over the next few years both in Latvia and, especially, in Lithuania as more new shopping centres are opened. The objective is for Seppälä to gain the same kind of position as a nationwide chain in these countries as it has in Finland and Estonia.

The greatest potential lies in Russia

Despite its success in the Baltic area, Seppälä sees the biggest opportunities for growth in Russia, where its strategy is based on setting up in shopping centres in the million plus cities.

Seppälä opened its first stores in Moscow in 2004. The fourth store in Moscow was opened in December 2005. In the early autumn of 2005, a Seppälä store was opened in St Petersburg, the country's second-largest city, and a second store was opened there in the last week of the year. The new shopping centres in both Moscow and St Petersburg still offer abundant potential for expansion.

From the standpoint of retailers, a sufficiently affluent middle class is coming into being in Russia's other big cities, where new shopping centres are springing up. In 2006 Seppälä will gain experience of expanding to new major cities, when the company's first stores outside Moscow and St Petersburg are opened in Kazan.

Seppälä is seeking to open 6-8 new stores abroad during 2006.

New items five days a week

A big factor behind Seppälä's success is getting the product right. Seppälä must be able to react quickly to the customer's expectations and meet them. Seppälä's designers know future trends and create Seppälä's own collections based on them.

The product turnover rate has risen dramatically in the entire fashion sector. Retailers must be capable of responding to demand by means of fast design, purchasing and logistics. Being in tune with fashion has been one of the secrets of Seppälä's success over the past years and it will be highly important in coming years as well.

Seppälä has had superior performance in women's fashion, where sales have grown 18 per cent in 2004 and 10 per cent in 2005. The growth figures for men's and children's apparel have been more modest, but in 2006 Seppälä will go after strong growth in these areas too. In view of the success achieved in ladies' shoe sales after a launch in some of Seppälä's stores a few years ago, a range of footwear was added to the assortments of many of its stores during 2005.

Both new products and supplementary articles are delivered to the stores in Finland and the Baltic countries five days a week. This operational model creates a basis for chain operations that take into account stores of varying sizes in large and smaller localities in different countries.

In order to tap into Finnish design, in 2005 Seppälä organized, for the second time now, an open garment design

For a couple of years now, the participants in the S-Style competition have been a source of new talent for Seppälä's design team. Soile Aho (left) joined Seppälä in 2005 and Mira Mallius a year earlier.

As part of its marketing built around the theme of putting extra zest in relationships, Seppälä offered three couples dinner in the window of its Mannerheimintie store, on Helsinki's main thoroughfare. Plenty of couples wanted to dine, 619 of them!

competition, which achieved wide popularity amongst fashion design students and professionals as well as consumers. There were 63 entries in the competition, and nearly 19 000 Finns took part in voting for one of the two winners. The other winner was chosen by a panel of fashion experts.

An approachable fashion store

Long-term work on refining Seppälä's fashion statement has borne fruit. Especially amongst the main target group – style-conscious adult women – Seppälä has a highly appealing image.

Apart from advertising, the strong image is built by customers coming into a store that conveys a message of being stylish and "hip," both through the store's ambience and product presentation.

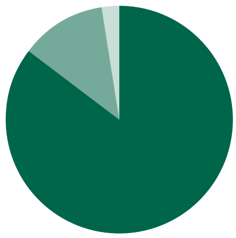
Seppälä wants to be a relaxed and readily approachable fashion store that people enjoy coming to. The store staff play an important role in building this image and in making every encounter with the customer a success. Seppälä's training staff have found new ways of building a good interactive situation between the customer and the salesperson.

Growth set to continue in 2006

Seppälä's operational model still offers good scope for growth and earnings. Refurbishment of the store network in Finland is continuing, and at the same time the search is on for new commercial locations both in the Baltic countries and in Russia. The resources devoted to the Baltic and Russian markets are expected to lift Seppälä's future sales substantially.

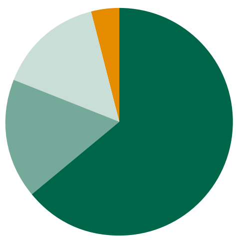
The objective for 2006 is to maintain a good level of profitability.

Distribution of Seppälä's sales by market 2005



85.3% Finland
12.2% Baltic countries
2.5% Russia

Distribution of Seppälä's sales by merchandise sector 2005



64% Ladies' fashion
17% Children's fashion
15% Men's fashion
4% Cosmetics

Corporate Governance

The corporate bodies of the parent company Stockmann plc which are responsible for the Group's administration and operations are the general meeting of shareholders, the Board of Directors and the chief executive officer.

Annual General Meeting

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. 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. No one, however, can cast more than one fifth of the votes represented at the general meeting except in situations in which the Companies Act calls for passing a resolution with a majority of the votes cast. Information on share ownership is given on pages 44-47 of the Annual Report and on the company’s website at the address www.stockmann.fi.

A Series A Share can be converted to a Series B Share upon the demand of a shareholder provided that the conversion can take place within the limits of the minimum and maximum amounts of the share series.

A two-tier provision concerning the obligation to exercise a pre-emptive purchase of shares is written into the Articles of Association. A shareholder whose proportion of all the company's shares or the number of votes conferred by the shares reaches or exceeds 33 1/3 per cent is liable, at the demand of the other shareholders, to purchase their shares and the securities which according to the Companies Act give title to them. If a previous pre-emptive purchase offer has not led to the preemptive purchase of all the company's shares, the shareholder shall make a new pre-emptive purchase offer when the shareholder's proportion of all the company's shares or the votes conferred by the shares reaches or exceeds 50 per cent.

The business of the Annual General Meeting includes approval of the company's annual financial statements and the passing of resolutions on the dividend and the election of members of the Board of Directors.

Board of Directors

The company's Board of Directors shall have a minimum of five and a maximum of nine members. They are elected for one year at a time.

A person who has reached the age of 65 years cannot be elected a member of the Board of Directors. At present, the Board of Directors has seven members, none of whom are full-time members.

The Board of Directors shall elect from amongst its number a chairman and a vice chairman for one year at a time.

The company's officers who participate regularly in meetings of the Board of Directors are the chief executive officer, the executive vice president, the chief financial officer and the director of legal affairs, all of whom are not members of the Board of Directors. The director of legal affairs acts as secretary to the Board of Directors. Two employee representatives also participate in meetings of the Board of Directors, and they likewise are not members of the Board of Directors. One of these representatives is elected by the employee representatives of Stockmann's Group Council and the other by the association representing Stockmann's senior salaried employees.

The Board of Directors attends to the due organization of the company's administration and operations. In addition to the duties defined separately in law and in the Articles of Association, the Board of Directors, among other things, confirms the company's long-term strategic and financial objectives, approves the budget and decides on major individual capital expenditures, acquisitions, divestments and real-estate deals and other projects of strategic importance. The Board of Directors also approves the principles of the company's risk management.

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. The Board of Directors' rules of procedure are available on the company’s website www.stockmann.fi.

The Board of Directors met 11 times in 2005. The average attendance was 97 per cent.

The Appointments and Compensation Committee comprises four members of the Board of Directors. Its task is the preparation of appointment and compensation matters concerning the chief executive officer, the executive vice president and the other members of the Management Committee, the preparation of the election of members of the Board of Directors for proposal to the Annual General Meeting as well as the preparation of compensation matters concerning the Board of Directors. The committee meets as necessary at least once a year. In its meeting held on March 29, 2005, the Board of Directors elected to the committee for the financial year 2005 the following persons: Lasse Koivu, chairman of the Board of Directors, who served as the committee’s chairman, Erkki Etola, vice chairman of the Board of Directors, and Henry Wiklund, member of the Board, members of the committee. In its meeting held on December 20, 2005, the Board of Directors supplemented the committee by appointing Board member, professor Eva Liljeblom as a member of the committee. The chief executive officer has the right to attend meetings of the committee. The committee met once during the financial year.

Chief executive officer

The Board of Directors appoints the company's chief executive officer and decides on the terms and conditions of his executive post, which are set forth in a written chief executive officer agreement. The chief executive officer is in charge of the company's line operations in accordance with the instructions and regulations issued by the Board of Directors. Hannu Penttilä has been the company's chief executive officer since March 1, 2001.

The Group's line organization

Apart from the chief executive officer, the Board of Directors appoints the executive vice president and the other members of the Management Committee. Heikki Väänänen, director of the Department Store Division, has also acted as the company's executive vice president and as the CEO's alternate since November 1, 2005.

Corporate Administration oversees the entire Stockmann Group. Commercial operations are organized into four divisions, which are the Department Store Division, Stockmann Auto, Hobby Hall and Seppälä. The directors of the divisions report to the chief executive officer and are members of the company's Management Committee. Stockmann Auto will be transferred to new owners on March 1, 2006.

Management Committee

The Group's Management Committee comprises the chief executive officer, the executive vice president and the other directors of the divisions, the chief financial officer, the development director for the Group's international operations and the director of legal affairs, who acts as secretary to the Management Committee.

Headed by the chief executive officer, the Management Committee is responsible for directing line operations and for preparing strategic and financial plans.

Oversight and risk management

The Board of Directors and operational management are responsible for internal oversight, the objective of which is to ensure the efficiency and performance of operations, the reliability of information as well as the observance of rules and operating principles. On June 16, 2004, the Board confirmed the company's risk management principles that are reported in detail on page 31 of the Annual Report.

An essential part of internal oversight is the Internal Audit, which operates as a separate unit within Corporate Administration and reports to the chief executive officer. The Internal Audit is a function which is independent of line operations and supports the Group management in operations control and risk management, examining and assessing the effectiveness of business operations and internal oversight as well as producing information and recommendations to management on how to enhance these functions. The Internal Audit's work is guided by a risk-oriented approach in line with the priority areas of business operations and their development.

The auditors elected by the Annual General Meeting examine the company's accounting records, financial statements and administration. The audit work is carried out during the financial year through audits of the divisions and company administration and by carrying out the official audit of the financial statements at the close of the year. 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. At present the company has two auditors and a deputy auditor which is a firm of independent public accountants authorized by the Central Chamber of Commerce. The Internal Audit coordinates auditing activities between the external and internal audits in order to ensure the comprehensiveness of the auditing work and to avoid overlapping auditing tasks.

The fees paid to the auditors for the 2005 financial period totalled EUR 132 428 for the audit of the parent company and a total of EUR 400 316 for the audit of the Group. In addition, KPMG was paid EUR 60 238 in consultancy fees.

Management's remuneration and other benefits

The Annual General Meeting passes resolutions on the remuneration paid to the members of the Board of Directors. In accordance with the resolution passed by the Annual General Meeting held on March 29, 2005, the fixed emoluments paid for the 2005 financial year were EUR 60 000 to the chairman of the Board of Directors, EUR 40 000 to the vice chairman and EUR 30 000 to each of the other members of the Board. About 50 per cent of the annual emoluments were paid in the form of the company's shares and the remainder in cash. All the members of the Board of Directors were paid a meeting fee of EUR 250 per meeting for the period January 1 – March 31, 2005, and a meeting fee of EUR 400 per meeting for the period April 1 – December 31, 2005. For the 2005 financial year, the members of the Board of Directors were paid cash emoluments totalling EUR 162 770.96 and share emoluments of 4 296 of the company's Series B shares. The value of the emolument paid was a total of EUR 273 350. Emoluments paid to the members of the Board of Directors during the financial year 2005 are presented on the company's website.

The total amount of the salary, emoluments and fringe benefits paid to the chief executive officer in 2005 was EUR 595 865, of which fringe benefits accounted for EUR 14 920. In the chief executive officer agreement, the CEO's pension age is set at 60. The pension is determined in accordance with the Employees' Pensions Act and a separate insurance plan which is taken out by the company. The CEO's period of notice is specified bilaterally at 6 months. Should the company terminate the agreement, the CEO has the right to compensation corresponding to 12 months of fixed salary upon expiry of the termination period. In addition, the CEO is entitled to extra compensation corresponding to 12 months of fixed salary one year after expiry of the termination period if the CEO has not retired on an employment, voluntary or health-based pension funded by the company. Should the company terminate the executive post relationship on cancellation grounds due to personal reasons, neither of said classes of compensation shall be paid.

Incentive systems

The Group makes use of annual performance-based systems of rewards and incentives to promote the achievement of short-term objectives. The amount of the incentive is generally influenced by the earnings reported for the financial year and the personal job contribution.

The principles of determining the incentive bonuses of the CEO and the other members of the Management Committee are confirmed annually by the Board of Directors on the ⇨

basis of a proposal prepared by the Appointments and Compensation Committee. Bonuses are determined primarily on the basis of the Group's earnings and profitability trend such that the determining factors are the Group's profit before taxes net of other operating income, the Group's return on capital employed and the key figures for the divisions, which are derived from the aforementioned. The maximum incentive is generally no more than 25 per cent of annual salary income, but the limit can be exceeded on a sliding scale in respect of Group targets.

On April 24, 2003, the Board of Directors approved for the members of the company's Management Committee, as a supplement to the annual incentive, a long-term share bonus scheme extending, in two year periods, up to the end of 2006. Carrying out of the share bonus scheme is tied to the realization of the Group's development in accordance with its long-term strategy, and its benchmarks are both consolidated profit before taxes net of other operating income and the Group's trend in the return on capital employed. Attainment of the share bonus targets will be assessed in two-year periods. In 2006, a total of 9 930 Stockmann Series B shares and EUR 488 407.05 in cash will be paid to the members of the Management Committee on the basis of the attained aggregate targets in 2004-2005. The maximum incentive payable in 2007 on the basis of the attained aggregate targets for 2005-2006 to all the members of the Management Committee in the form of Stockmann Series B shares is a total not to exceed 12 105 shares as well as 1.5 times the cash value of the shares. If the lower limits defined for each target period are not exceeded for both target criteria, no share bonus will be paid.

Achievement of the company's long-term objectives has been supported by a share option scheme for key employees, which was approved through a resolution passed at the Annual General Meeting in 2000. The Board of Directors proposes to the Annual General Meeting that a share option programme be targeted at key employees as part of the incentive and commitment-building scheme for management. Information on the 2000 share options and the proposed new option scheme is given on pages 42 and 44-45 of the Annual Report.

Insiders

Stockmann complies with the insider guidelines prepared by Helsinki Exchanges, the Central Chamber of Commerce and the Confederation of Finnish Industries, EK. Counted as Stockmann plc's insiders with the duty to declare under the Securities Market Act (297/2005), Chapter 5, Section 3, are the members of the Board of Directors, the chief executive officer, the executive vice president, the auditors and the persons who receive insider information on a regular basis and are entitled to make decisions on the company's future development and organization of its business. In addition to the public insider register on insiders with the duty to declare Stockmann maintains a company-specific insider register on persons working for the company who receive inside information on a regular basis due to their position or tasks. Stockmann's Board of Directors has decided that the restriction on trading in the company's shares by insiders is 14 days before the publication of an interim report or the financial statements, whereas Stockmann has found it appropriate not to define a period preceding the publishing date of financial results during which the company does not comment the development of its sales or earnings.

The company's public insider register is available on Stockmann's website covering information on the persons in the register as well as up-to-date information on their holdings and the holdings of persons close to them.

Recommendation on the Corporate Governance of listed companies

HEX Plc, the Central Chamber of Commerce of Finland and the Confederation of Finnish Industry and Employers published in December 2003 a new recommendation on the Corporate Governance of listed companies. Helsinki Exchanges adopted it as a minimum set of regulations forming part of the stock exchange's regulatory regime. The recommendation came into force on July 1, 2004. Stockmann complies with the recommendation.

Risk management

The aim of risk management is to safeguard the Group's earnings trend and ensure disturbance-free business operations by implementing risk management cost-effectively and systematically in the divisions. The achievement of risk management goals at Stockmann is organized such that

- risk management is part of normal business operations and management
- risk management is a process of identifying, assessing and managing business risks that can prevent or jeopardize the achievement of business goals.
- risk management is supported by internal control systems (guidelines, routines and procedures). Risk management principles are defined separately for specific areas, including the following: IT and data security, financial operations, environmental affairs, security, insurance policies and the Internal Audit.

Risk classification

All factors that may jeopardize or prevent the Group or its divisions from achieving the strategic goals they have set constitute business risks.

Stockmann's business risks are classified into three risk areas:

- business environment risks, meaning risk factors that are external to the company and may significantly affect the company's latitude of operations and profitability if they materialize. These kinds of risk factors encompass fundamental and unforeseen changes in market trends, disasters and catastrophes, and country risk for Russia.
- operating risks, meaning internal risks associated with operations which may, if they materialize, lead to interruption of business, inefficiency and unprofitability. These risk factors include risks related, for example, to personnel, fraud and abuse, IT and data security risks as well as risks associated with information used in decision-making.
- financial risks, whose influence will be reflected in the Group's profits, balance sheet and liquidity if they materialize.

Allocating responsibilities within risk management

Risk management is part of the Stockmann Group's normal business operations.

Under the Finnish Companies Act, the Board of Directors must see to the due and comprehensive supervision of accounting and financial management. The Board also confirms the company's long-term strategies and financial goals. In accordance with the new recommendation on the Corporate Governance of listed companies, the Board confirmed the company's risk management principles in June 2004.

According to the Finnish Companies Act, the chief executive officer must make sure that the company's accounts are kept according to law and that the management of funds is arranged in a reliable manner.

During the strategy process, the Group's Management Committee makes an estimate of business risks that may jeopardize or prevent the achievement of strategic goals. At the same time it evaluates the adequacy of risk management measures. The management committees of the divisions are responsible for drawing up strategic and financial plans for their own divisions. Formulating a strategy involves analysing business risks and assessing the risk management procedures. Business risks are also analysed outside the strategy process, in particular in connection with important projects and investments.

The Group has a Risk Management Steering Group whose task is to support the divisions in identifying and managing risks that may jeopardize or prevent the achievement of Stockmann's strategic goals. The Steering Group, comprising the head of the Group's Internal Audit, the Group's director of legal affairs, and the Group Controller, meets several times a year and reports on its observations and recommendations to the company's Management Committee and Board of Directors.

Risk management reporting

The divisions report on business risks and their management

- annually in connection with Stockmann's strategy process and
- as part of decision-making on important projects and investments

to the Group's Management Committee, which reports on business risks to the Board of Directors.

Personnel

The department store and Zara outlet which Stockmann opened in the Jumbo Shopping Centre in Vantaa, in the metropolitan Helsinki area, in October increased the Group's number of employees in Finland. The Group's personnel strength abroad also grew in step with the new Zara, Bestseller and Seppälä stores that were opened. At the end of 2005 the Stockmann Group had a payroll of 11 849 employees, of whom 3 737 worked abroad. The number of staff grew by 930 employees. In Finland the increase in personnel strength was 582 employees and abroad 346 employees. 50 per cent of the employees were full-time staff, and 50 per cent were part-timers. Women accounted for 74 per cent of the Group's personnel, and men for 26 per cent. The proportions were roughly similar among senior salaried employees: 71 per cent women and 29 per cent men. Of all those working as Group executives, 57 per cent were women and 43 per cent were men. The average age of the personnel was 33 years. Staff turnover among permanent employees at the Group's units in Finland was on average 16.5 per cent. Staff turnover abroad is greater, owing to the fact that the labour markets are undergoing drastic change.

Further information on the numbers of personnel is given in the Board Report on Operations under the heading "Personnel strength" on page 42 of this Annual Report and in the table on page 41.

Good employer image aids in recruitment

In Finland Stockmann's payroll increased by 582 employees. The growth was attributable primarily to the opening of a new department store and Zara outlet in the Jumbo Shopping Centre in Vantaa. Stockmann entered into around 4 900 new employment contracts in Finland in 2005, of which almost 1 000 were for permanent jobs. Apart from permanent staff, the department stores offer fixed-term jobs four times a year to some 1 000 people at a time: twice during the Crazy Days and during the summer and Christmas seasons.

Staff availability in the retail trade in Finland, particularly in the metropolitan Helsinki area, has become more challenging. Companies in the service sector are drawing an increased share of the labour pool, and good employees are in demand. Stockmann's popularity as an employer is nevertheless shown by the fact that the company still receives several tens of thousands of job applications annually. Most of the applicants are young. At various recruitment events, Stockmann emphasizes its high regard for experience in a service sector job and how positions with Stockmann are suited to employees of all ages.

The accession of the Baltic countries to the EU has led to a strong increase in the mobility of their labour force. The young generation, proficient in foreign languages, is seeking work abroad, and this steps up competition for skilled staff in the home market. In Estonia, the employment rate of the actively employed population is quite high. In the autumn Stockmann arranged for the first time its own extensive recruitment campaign, which brought in 250 applications. Stockmann's good reputation as an employer has helped to keep the number and quality of the staff in Estonia in line with objectives. The service sector division of the Confederation of Estonian Trade Unions has granted Stockmann an award for its good cooperation with employees.

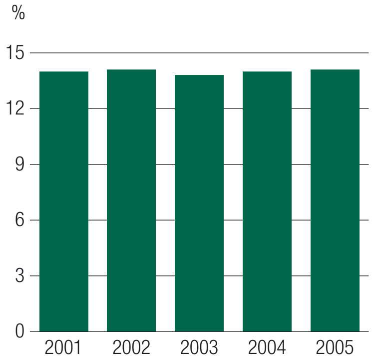
Young Latvians are seeking jobs abroad in the same way as Estonians. In addition to service trades, young people are drawn increasingly to other sectors as well, and this means that employers in the service sector must cope with a tight labour market. During the year Stockmann worked energetically in Latvia to provide induction training for new employees and to develop their professionalism. The company has succeeded in keeping the quality of customer service in Latvia on target. Stockmann's attractiveness as an employer and its recruitment programmes have enabled the company to staff its stores according to plans.

In Russia, the labour markets in Moscow and St Petersburg differ greatly from the rest of the country. Greater Moscow is a highly-developed commercial centre, and service-sector job openings appear in an unending stream. Stockmann's reputation as a stable, reliable and high-calibre employer is a clear advantage in hiring people. The Stockmann Group's objective in Russia too is to offer excellent customer service. This highlights the importance of employee induction training and development all across operations. On the other hand, competitors are continually going after well-trained people, thus leading to greater employee turnover.

The expansion of operations in Russia creates new jobs and offers the staff good career advancement opportunities. Internal supervisor resources are also being beefed up because they are a key means of bringing about the rapid expansion of operations. The Stockmann Group employed 2 500 people in Russia at the end of 2005.

Average number of staff 2001-2005

Staff costs 2001-2005, % of revenue



Staff induction training and development

Because Stockmann strives for the highest quality in its customer service, new employees must receive rapid and effective start-up training in performing their job tasks and adjusting to their work environment. This is why all the divisions run a standard induction programme, which all Stockmann employees go through.

The biggest effort for the Department Store Division in developing its staff was the induction programme and training for the 300-strong staff of the Jumbo department store that was opened in the autumn. With only a good third of the employees being relocated to Jumbo from the Group's other units, most of the staff were newcomers to the Stockmann organization. A total of 166 individual training events were organized for the staff of the Jumbo department store. The induction trainers and other internal experts from the rest of the company's department stores in the metropolitan Helsinki area played an important role in carrying out a well-executed training programme, with input from 91 Stockmann personnel, all in all.

The priorities for personnel development were still the improvement of customer service quality and training in supervisor skills.

Further strides were made in the training programme for the Group's Finnish managers that was started in 2003. Managers from all units took part in it during the year. The key managers of the department stores abroad participated in tailor-made commercial training that was arranged in Finland and consisted of two cycles, with an online learning period in between. The subjects covered included business planning, marketing and sales work, purchasing and logistics as well as financial administration and management. Twenty-six managers from the department stores in Russia, Estonia and Latvia participated in the training.

In a survey of the quality of customer service that was carried out within the Department Store Division, the results remained at the good level that was reached a year ago. In addition to test purchases, a special focus was on how the radio, TV and Micronia teams can apply their new service concept in catering to customers. The quality of customer service was measured in Tallinn for the second time now, and in Moscow and Riga this was done for the first time. The quality of service in all the department stores abroad is at the level of the Finnish department stores or close to it.

A workplace atmosphere survey measuring the staff's job satisfaction was conducted in the autumn. Customer service and workplace atmosphere surveys were also carried out at the department stores abroad. In Tallinn, however, a study of the atmosphere amongst employees will not be carried out until spring 2006. The results of the studies will be processed by the department stores' sales teams during spring 2006, when development targets will be set.

A comprehensive employee atmosphere survey was also carried out at Hobby Hall in spring 2005, with the aim of identifying strengths and areas for development. The information obtained will be used in planning future improvement actions. The results were gone through at the function and department level in meetings where the staff had an opportunity to present their own development proposals.

Hobby Hall's objectives and values were mobilized by arranging for the staff a "Hobby Hall N.O.W." occasion in September. The programme offered plenty of entertainment and a chance to hear management's views as well as an outside HR consultant who gave the staff pointers on optimizing work and life situations.

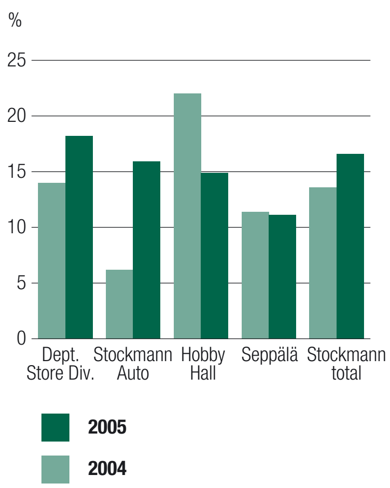
With the aim of developing supervisor work, each Hobby Hall supervisor took part in an intensive course that focused on communications between supervisors and their staff. Purchasing staff were given separate training with a special emphasis on ways of working and relations with suppliers.

Seppälä continued with its Spirit training sessions that were attended by all the people working in the chain's stores both in Finland and abroad. The main subject area was average purchases and how to boost them. A retail supervisor's vocational degree was completed by 18 Seppälä store managers, and in autumn 2005 a new group of 18 people began studying for the diploma.

The focus of the Spirit programme in Seppälä's administration was on developing cooperation between the different departments as well as on sharing professional skills and know-how in various projects. All the administrative staff were also offered a training session entitled "Towards a Balanced Life on the Job and Off," which emphasized how job well-being depends on maintaining a healthy overall life perspective.

The importers of the marques sold by Stockmann Auto comply with manufacturers' product knowledge standards. Each specialist group has its own training programme that aims to help the staff reach a level of excellence in all segments ⇨

Turnover of permanent personnel in Finland 2004-2005



Years of service, permanent personnel in Finland 2005

of the business. Achievement of the objectives is tracked by means of both the unit's own and importers' customer satisfaction studies. Towards the end of 2005 these studies were complemented by service event tests conducted by professional testers.

More than 20 persons from Stockmann Auto's different personnel groups took part during the year in training that meets the requirements of the qualifications-improving programme in the Finnish motor trade. This programme provides high-quality and versatile training from the basic diploma level all the way to grooming for management positions.

Incentive systems

Most of the Group's staff is covered by an incentive system. The incentive systems for managers and experts are based on financial benchmarks and the evaluation of individual job performance. Other positions are primarily covered by group incentive systems.

Various incentive bonuses came to EUR 7.5 million in 2005.

Management incentive systems and the share option arrangements for key employees are discussed under the heading "Corporate Governance" on pages 29–30 of this Annual Report. Detailed information on the share option scheme for key employees is presented in the section "Share Capital and Shares" on pages 44–45.

Occupational health care

Surveying of the personnel's working capacity was continued team by team at the department stores in Finland during the year. Health check-ups included a working capacity index questionnaire aiming at the early identification of possible disability or the need for rehabilitation. Furthermore, a Resources at Work questionnaire was used to survey the atmosphere, well-being and job stamina in the workplace.

Seppälä too included a working capacity index questionnaire in health check-ups. The questionnaires always invite both personal comments and feedback on the workplace in general.

The working capacity index and Resources at Work questionnaires are also used in selecting people for various types of rehabilitation (Aslak, an early warning medical survey; Tyk, job stamina training; Resources at Work; various diagnosis-based rehabilitation programmes) and in monitoring the effects of rehabilitation. The questionnaires are also used as an aid in sorting out problem situations in the workplace.

Towards the end of the year it was decided to upgrade Hobby Hall's statutory occupational healthcare to general practitioner coverage. This will enable preventive measures and actions that maintain working capacity to be directed more effectively towards people with health problems. Control of sickness absences can likewise be improved by means of "one-window" occupational health services for the staff.

At Stockmann Auto's repair shops, an extensive survey of occupational hygiene risks was carried out by measuring the employees' exposure to noise, dust, vibration and various chemical substances.

The two largest diagnostic groups responsible for sickness absences among the staff in Finland were, as in previous years, respiratory inflammations and musculo-skeletal ailments. The number of health-related pensions decreased substantially during 2005 compared with the average for the 2000 decade. Of full-time retirees, half took an old-age pension.

The occupational health care staff received a new information system that will enable them to store data on all patients and visits to company sites. In outputting reports, use will also be made of the existing nationwide registers of diagnosis classifications, assessments of risks at work and sectoral classifications.

Labour protection and employment equality

As part of risk management and responsible employer policy, in 2005 Stockmann paid increased attention to arranging labour protection measures and the management of occupational safety risks.

In training for both supervisors and employees at units in Finland, there was an emphasis on labour protection issues, and a systematic risk survey model was created to facilitate the identification of occupational safety risks. The responsibility for carrying out occupational safety measures rests with line management, but supervisors' work on behalf of a safe and healthy working environment is supported by training the labour protection organization and broadening its awareness.

In the light of industrial accident and occupational disease statistics in the retail sector, Stockmann is a safe and healthy workplace. With a view to maintaining employee fitness and keeping costs in check, occupational safety work will nonetheless remain a prime development objective. In line with this, in 2006 the Stockmann Group will arrange an extensive labour protection training session for occupational safety ombudsmen and managers who took up their duties at the beginning of the year. Occupational safety risks will be evaluated systematically during the year at each and every Group site in Finland. In order to reduce or eliminate observed occupational safety risks, a uniform reporting model has been created with the aim of making sure that the necessary remedial actions are carried out in coming years.

At our units abroad, the statutory occupational safety guidelines of each country will be supplemented, as needed, by providing training and through voluntary insurance policies.

During the year the Group's parent company, along with Stockmann Auto, Hobby Hall, Seppälä and Z-Fashion Finland, drafted for their staff equality plans that were reviewed together with staff representatives. The equality plans deal with the present structural situation of each Group company's staff, the prerequisites for equal and disturbance-free working and the challenges of the future.

Personnel abroad

The number of employees abroad is growing apace in step with Stockmann's expansion. During 2005 the Department Store Division and Seppälä opened a number of new stores in the Baltic countries and Russia. The number of employees at units abroad increased by 346. At the end of the year, Stockmann had 3 737 employees abroad, of whom 2 414 were full-time staff and 1 323 part-timers.

Recreational activities

Stockmann has fostered club activities ever since 1924. Over the years, the number of recreational clubs has risen to 23. Today, most of the clubs are connected with sport and fitness. The company provides financial assistance for club activities.

The long opening hours and shift work in the retail trade have taxed the number of club members because it has become harder to find common times for club activities. To remedy this situation, in 2005 the company expanded its financial support to fitness vouchers so that employees will have greater scope for finding their own fitness activity at a suitable time. The vouchers became very popular, and recreational appropriations will be made for fitness vouchers in 2006 as well.

Corporate social responsibility

Corporate social responsibility has become an integral part of the Stockmann Group's day-to-day operations. In 2002 a social responsibility project was carried out that has brought a significant increase in the company's commitment in the area of social responsibility. To highlight the importance of corporate responsibility, social responsibility was made one of Stockmann's core values in 2004. The focuses of Stockmann's corporate social responsibility are our own staff, the environment and promoting responsible importing.

In summer 2005 the Stockmann Group carried out a corporate social responsibility planning project. Its purpose is to steer development over the years ahead by providing a set of guidelines and shared goals which each division can apply in working out its own solutions locally and across various functions.

The Corporate Social Responsibility Steering Group, which is made up of representatives from all the divisions and functions, acts as an expert organisation that coordinates these activities. Its task is to see to it that the divisions achieve the sought-after level of social responsibility confirmed by Stockmann's Management Committee and act in accordance with the policies it has set.

Financial responsibility

Good financial performance enables the company to invest in developing the well-being of its personnel as well as social well-being. Positive results in the areas of environmental and social responsibility in turn support the achievement of good financial performance.

The favourable trend in Stockmann's business operations continued in 2005. The company's sales rose to EUR 1 851.3 million (1 735.0). Operating profit was EUR 103.7 million (79.8). Profit before taxes was EUR 102.8 million (79.0). Stockmann paid out dividends of EUR 53.0 million to its shareholders in 2005 (123.3). The company paid direct taxes of EUR 28.2 million (25.3). During the year Stockmann had an average payroll of 10 558 employees (9 589). The company paid salaries and emoluments of EUR 178.3 million (166.6), an increase of 7 per cent. Pension expenses came to EUR 26.6 million (24.1), and expenditure on staff training, excluding direct salary and wage costs, amounted to EUR 1.3 million (1.1).

Environmental responsibility

The environmental work of Stockmann's divisions is based on the Group's environmental policy as approved by Stockmann's Board of Directors. The goal of environmental policy is to promote and support implementation of the principles of sustainable development in the Group's business operations.

In compiling its financial statement information, Stockmann observes the general guidelines which the Finnish Accounting Standards Board (KILA) has issued concerning the recording, calculation and presentation of environmental compliance. The uniform presentation of environmental expenditures facilitates comparison and gives a comprehensive picture of how environmental affairs are handled across the Group.

Nationwide recycling of waste electrical and electronic equipment (WEEE) got started in Finland in August 2005. The recycling is based on producer responsibility in accordance with the EU's WEEE directive. This means that manufacturers and importers of products are responsible for seeing to the recycling, reuse and waste management of each product. The Stockmann Group is one of the founding members of SERTY ry, an association of producers of electrical and electronics equipment. SERTY's task is to assist its member companies in coordinating the recycling and waste management of electrical and electronic equipment in Finland in accordance with the principles of producer responsibility enunciated by the EU.

As part of the nationwide recycling of waste electrical and electronic equipment, the Stockmann department stores and Hobby Hall offer their customers in Finland the possibility to recycle an old home appliance when a new one is delivered. Most of the equipment to be recycled consists of large and small home appliances, televisions and consumer electronics, monitors and various telephones. For a number of years now, prior to the start of nationwide recycling, Stockmann has made it a practice to act as a take-back point for electronic waste.

Department Store Division

All Stockmann's department stores in Finland have environmental systems that have been certified according to the ISO 14001 standard. The systems were built and certified in 2002-2003, when the principal benchmarks for tracking environmental impacts were also formulated. Comparative data on the department stores in Finland was compiled for the first time over 2004. Accordingly, the accompanying table now shows the annual environmental trends.

The certification covers the functions of Stockmann's department stores and Academic Bookstores in Finland along with the Department Store Division's joint purchasing and warehousing functions in Helsinki's Pitäjänmäki district. Just over 4 500 people work in jobs falling within the scope of the certified functions. The certified environmental system points the way in making sure that environmental impacts are taken into account in operations every step of the way. The main objective is to develop the department stores' operations to be ever more environmentally sound and to prevent environmental impacts that stem from operations.

Environmental work is carried out with the aim of reducing environmental loading, notably by tracking and boosting the efficiency of energy consumption, recycling wastes and directing attention to preventing wastes from arising as well as by taking environmental factors into account in purchasing and assortment decisions. The personnel are in a key position in making environmental systems effective, and this is why training the staff has been a major focus in recent years.

In the early part of 2005 Stockmann tried out the use of biodegradable serving boxes in the Helsinki department store's Delicatessen and at other departments that sell ready-to-eat meals. On the basis of the results obtained in these trials, the use of biodegradable serving boxes was introduced at all Stockmann's department stores in Finland.

Stockmann Auto

The objective of Stockmann Auto's environmental work has been to minimize environmental loading, whilst adapting the vehicle sales operations and servicing to the demands of environmental protection and showing respect for the environment.

An element of the quality systems at Stockmann Auto's outlets is close participation in the environmental programme of Finland's Central Organization for Motor Trade and Repairs (AKL). In 1996 Stockmann took part in AKL's pilot project, and the environmental programme resulting from this initiative was expanded to cover most of the Stockmann Auto units. Creating detailed waste sorting instructions is one of the ways Stockmann Auto has developed its environmental programme. Waste volumes and energy consumption are monitored regularly, and a special objective is to minimize the proportion of mixed waste within the aggregate volume of waste. Optimizing the intervals at which waste oil tanks and refuse bins are emptied is accomplished by tracking the trends in various waste volumes and by purchasing containers that are better suited to the volumes whenever this makes a difference.

Stockmann Auto pushed ahead with long-term environmental work by launching an ISO 14001 environmental pilot project at the Lauttasaari outlet in 2004. The outlet ⇨

received an ISO 14001 certificate in autumn 2005. Apart from the dealership in Oulu that was acquired in November 2004, all Stockmann Auto's dealerships also have quality systems that have been certified under the ISO 9001 standard. A number of improvements were made in the level of environmental protection at the Oulu outlet during 2005, notably in waste management. Stockmann Auto has tracked its progress in meeting quality targets and specific environmental objectives by means of regular internal and external audits, which were carried out at each outlet during the year.

Today, about 80 per cent of a vehicle's weight is utilized and recycled in Finland. Uses are also found for the bulk of the waste arising in servicing vehicles. Noteworthy examples are metals, plastics, batteries, filters, engine and air-conditioning coolants as well as oil. In respect of reuse and recycling, the requirement set for 2006 in the EU's directive on end-of-life vehicles is 80 per cent, and the requirement for 2015 is 85 per cent. Recycling and utilization are based on the producer responsibility set out in the EU's directive on end-of-life vehicles, which became a part of Finnish legislation in September 2004. According to the producer responsibility principle, producers are responsible for taking back, processing and recycling end-of-life vehicles as well as for the resultant costs. Producers can also attend to their obligations together with a producer group. In Finland, Finnish Car Recycling Ltd, which is owned by the Association of Automobile Importers in Finland, has been established as a producer group. Towards the end of 2005 Stockmann Auto took part in the Value through Recycling campaign sponsored by Finnish Car Recycling Ltd and Stena Metalli Oy. The campaign aimed to make a concrete contribution to taking old high-emission vehicles off the road.

Hobby Hall

Hobby Hall has managed to reduce the volume of waste it produces by raising the recycling rate. In 2005 environmental loading was cut down further, especially by making more efficient use of waste compactors. The number of sortable waste fractions has been increased both at warehouses and in the stores. In addition, Hobby Hall has succeeded in reducing the amount of packaging material used at its warehouses by approx. 20 per cent by dispatching a greater amount of products in supplier-used packages and by employing combined packaging in orders for multiple products. Boosting the combined packaging rate is a way of stepping up efficiency in the way products are transported and handled across the logistics chain, and it helps to reduce environmental impacts.

The consolidation of Hobby Hall's warehousing functions moved ahead according to plans. At the beginning of 2005, warehousing was centralized primarily within the Viinikkala Logistics Centre, bringing a sizeable reduction in the use of warehouse space. This in turn lessens environmental loading such as energy consumption. In addition, internal transports between the warehouses and stores decreased markedly thanks to centralized warehousing.

Hobby Hall's online sales continued to grow, rising to 27 per cent of aggregate sales in 2005 (20 per cent in 2004). The Internet is an environmentally friendly marketing medium. Online shopping is set for a further spurt in growth.

All distance retailing catalogues and packaging are made from environmentally friendly materials that are recyclable.

The recycling of waste electrical and electronic equipment was tried out in connection with distance retailing in the Helsinki metropolitan area during 2004. The results were positive and the practice was expanded during 2005 to cover distance retailing throughout Finland. Furthermore, all of Hobby Hall's stores, including the store in Tallinn, take in waste electrical and electronic equipment from customers when they buy a new piece of equipment.

Hobby Hall began BSCI auditing cooperation in its procurement and sourcing, further details of which are given in the section "Social responsibility".

Seppälä

Seppälä is devoting increased efforts to reduce the load it exerts on the environment at both the head office and the Goods Handling Centre. Recycling and sorting are performed according to plans, with an emphasis on the staff's own responsibility.

Seppälä monitors regularly the sorting and recycling possibilities of all its stores in Finland and has drawn up operating instructions for the stores. Most of Seppälä's stores are located in shopping centres, where there are well-established procedures for dealing with environmental issues and waste management.

For its suppliers, Seppälä has prepared detailed cooperation instructions that aim to avoid overpackaging of products, whilst seeking to influence suppliers' selections of packaging materials and ways of packaging. These measures have also led to an improvement in the inventory turn rate. The instructions for partners also set out the principles of responsible importing. Seppälä, with its private-label collections, places great stock in promoting responsible import sourcing and pursuing BSCI cooperation.

Waste management

The environmental management systems deployed by the divisions revolve around the ever-enhanced sorting of wastes, which is why for years now the Stockmann Group has worked at improving its waste management functions. The aim is to harmonize waste management practices Group-wide. The differing practices which the divisions use to manage wastes limit somewhat the scope for fully uniform reporting on waste management. Furthermore, the municipalities' waste management regulations may be divergent, posing another set of challenges for progressive waste management.

During 2005 Stockmann carried out an extensive round of competitive bidding for waste management contracts for its largest units. This was a follow-up to Stockmann's efforts to step up waste management. Previous measures have included the drawing up of waste management agreements, to which all the divisions pledge their support. Furthermore, a uniform reporting model has been formulated, partly in conjunction with partners in the waste management process.

Annual targets have been set for waste management activities, and the results are monitored regularly. Because waste management is based largely on source separation, the staff's participation plays a major part in it. There are rigorous guidelines for waste management, and extensive orientation has been arranged for the personnel as well as tenants and partners operating in company premises.

Energy

The consumption of electricity, heat and water is monitored across the Group. The objective is to create operating conditions that optimize energy use and cost-effectiveness so that heating, air-conditioning and lighting support overall operational efficiency.

The available data on energy use are reported in the accompanying table. In the largest company premises, real-time monitoring systems collect and process data and in many of the buildings a property maintenance company carries out regular monitoring. The aggregate consumption of electricity has been reported for 2004. In 2005 the figures also include the consumption of heat and water.

Social responsibility

Stockmann's social responsibility extends beyond the company's own personnel to encompass the working conditions of employees all along the supply chain. The main dimensions of Stockmann's social responsibility are employee satisfaction across the Group along with mental and physical well-being, the realization of equality as well as training and career advancement. Personnel affairs are discussed on pages 32-34 of this Annual Report.

Measures to promote responsible importing practices have been developed purposefully for many years now. Since 2001, Stockmann has been a member of the Network to Advance Social Responsibility in Importing, which is coordinated by the Central Chamber of Commerce. Stockmann has given its commitment to promoting the ethical principles defined by the network within its importing activities. In addition, Stockmann furthermore adheres to the principles of responsible import trade set out by the International Association of Department Stores (IADS). The IADS principles are largely similar to those of the Network to Advance Social Responsibility in Importing, which is run by the Central Chamber of Commerce.

Stockmann's divisions have undertaken to honour the "Commitment to Social Responsibility in Importing" in their operations, and during 2004 they adopted the practice of securing the commitment of suppliers. The commitment is based on UN declarations and International Labour Organization agreements. Accordingly, a supplier undertakes, for example, not to use child labour or forced labour, not to practice discrimination and to guarantee employees safe working conditions and adequate wages.

From the beginning of 2005 Stockmann joined the Business Social Compliance Initiative (BSCI). BSCI is a cooperation organization that has been developed by European companies, trade unions and organizations. BSCI is a joint system for auditing suppliers, and it is administered by the Brussels-based Foreign Trade Association (FTA). The Stockmann Group and its suppliers have given their commitment to abide by the BSCI Code of Conduct.

The purpose of BSCI is to improve the working conditions of the staff of its members' suppliers, at the same time clarifying and harmonizing the means by which suppliers are monitored. Thanks to this cooperation, the number of audited factories will increase manyfold, the improvement of working conditions will be speeded up, and all the parties will be spared a great deal of work and costs as overlapping functions are eliminated. The centrepiece of the system is the audit proper, which covers working conditions and terms of employment. This is carried out by an auditor authorized to perform a social standards (SA 8000) inspection. An audit conducted by an external professional guarantees the system's transparency and reliability. At the turn of the year, BSCI had over 50 member companies from nine different European countries. In addition to Stockmann, there are two other member companies from Finland.

When Stockmann joined BSCI, it gave its commitment to support and promote BSCI's development and expansion and to work on behalf of its aims. This commitment bears particularly on the auditing of suppliers by external experts. During 2005 the Group's buyer organizations were briefed thoroughly on the BSCI system, and a framework and guidelines were drawn up for putting BSCI into action in the field.

BSCI arranges workshops for suppliers, at which they are told about the system and encouraged to join the BSCI auditing process. In 2005 such workshops were held in India, China, Turkey and Bangladesh. Suppliers invited by the Stockmann Group were on hand for the first time at the workshop that was held in Istanbul in October 2005.

Stockmann is a founding member of Transparency Finland, an organization that works to combat international bribery. The umbrella organization, Transparency International, operates in 90 countries. Its task is to support anti-corruption efforts and to inform the public about the different forms and implications of corruption.

Waste management statistics (tons)

	Department stores, Finland		Department stores, abroad		Stockmann Auto		Hobby Hall		Seppälä*		Total
	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2005
Recyclable waste											
Energy waste	1 087	**1 070**	1	**1**	34	**83**	40	**71**	29	**26**	**1 252**
Cardboard	1 542	**1 565**	144	**391**	33	**59**	318	**256**	292	**283**	**2 553**
Recyclable paper	126	**165**	-	**-**	15	**27**	38	**47**	16	**17**	**255**
Plastic film	-	**-**	16	**-**	-	**-**	4	**8**	-	**-**	**8**
Metal	35	**39**	-	**0**	150	**165**	12	**10**	-	**-**	**215**
Glass	11	**5**	-	**-**	-	**-**	-	**-**	-	**-**	**5**
Bio waste	1 516	**1 513**	144	**170**	-	**4**	6	**8**	8	**4**	**1 698**
Restwaste											
Mixed waste	385	**324**	733	**3 109**	187	**199**	64	**22**	6	**5**	**3 659**
Hazardous waste	15	**10**	5	**38**	195	**91**	6	**2**	6	**7**	**107**
Total	4 715	**4 691**	1 041	**3 708**	614	**627**	487	**425**	357	**342**	**9 753**
Waste utilization, %	92	**93**	25	**15**	38	**54**	86	**95**	97	**97**	**61**

Some of the amounts have been estimated on the basis of best available information.

* Head office and Goods Handling Centre

Energy consumption	Electricity (MWh)		Heat (MWh)	Water (m3)
	2004	2005	2005	2005
Department Store Division, Finland	58 562	**62 311**	**33 160**	**104 554**
Department Store Division, international operations	30 943	**39 638**	**7 620**	**61 115**
Stockmann Auto	6 753	**5 941**	**4 640**	**9 352**
Hobby Hall	3 996	**4 045**	**2 190**	**3 433**
Seppälä*	1 188	**1 234**	**574**	**2 668**
Others	1 381	**203**	**175**	**3**
Total	102 823	**113 372**	**48 359**	**181 125**

* Head office and Goods Handling Centre

Board report on operations

The Stockmann Group's sales grew by 7 per cent to EUR 1 851.3 million (EUR 1 735.0 million in 2004). Profit before taxes increased by EUR 23.9 million and was EUR 102.8 million. Other operating income amounted to EUR 7.0 million (EUR 2.4). The Group, Seppälä and the Department Store Division turned in their best-ever results. Hobby Hall's earnings improved significantly and moved into the black. Stockmann Auto's earnings fell. Return on capital employed climbed by 4.8 percentage points to 19.6 per cent. Earnings per share increased to EUR 1.44, as against EUR 1.13 a year ago. The Board of Directors will propose the payment of a dividend of EUR 1.10 per share. In addition, the Board of Directors will propose a new share option programme for the company's Loyal Customers and key employees.

IFRS reporting

Stockmann adopted International Financial Reporting Standards (IFRS) on January 1, 2005. The comparative information used in the financial statements is the 2004 figures according to IFRS, which were published at the annual level on February 15, 2005, and at the quarterly level on April 18, 2005.

Sales and result

Stockmann's consolidated sales during the report period were EUR 1 851.3 million, up EUR 116.3 million and 6.7 per cent on the previous year's sales. Revenue was EUR 1 542.6 million, increasing by EUR 97.6 million and 6.7 per cent on revenue a year ago. International operations accounted for an increased share of consolidated sales, rising from 14 per cent to 18 per cent.

The Group's operating gross margin increased by EUR 53.6 million to EUR 547.1 million. The relative gross margin improved further and was 35.5 per cent (34.2 per cent). The relative gross margin improved in Seppälä and Hobby Hall and it was at the level of last year in the Department Store Division and Stockmann Auto. The Group had hedged against a weakening in the value of the Russian rouble. When the rouble strengthened against all expectations, hedging dampened the positive effect on earnings by around EUR 6 million in 2005. The growth in the Group's relative gross margin was also attributable to the change in the sales mix: the proportion of low-margin Stockmann Auto's sales within consolidated sales decreased on the previous year.

Other operating income was EUR 7.0 million (EUR 2.4 million) and resulted from the capital gain on the sale of Seppälä's head office property. Operating costs increased by EUR 30.0 million. Depreciation rose by EUR 4.2 million.

Consolidated operating profit was up EUR 23.9 million on the previous year, and was EUR 103.7 million, or 6.7 per cent of revenue. The corresponding figure a year ago was 5.5 per cent. Net financial expenses were EUR 0.9 million or at the level of last year. Profit before taxes rose by EUR 23.9 million to EUR 102.8 million (EUR 78.9 million).

Direct taxes were EUR 26.0 million, an increase of EUR 6.3 million on the previous year. The deferred taxes portion of taxes for 2004 diminished due to the lowering of Finland's corporate tax rate from 29 per cent to 26 per cent from the beginning of 2005. The lowering of the tax rate reduced the deferred tax liability for 2004 by EUR 2.6 million.

Net profit for the financial year was EUR 76.9 million, compared with EUR 59.3 million a year earlier.

Earnings per share were EUR 1.44 (EUR 1.13) and diluted for options they were EUR 1.42 (EUR 1.11). The above-mentioned change in the deferred tax liability improved earnings per share in 2004 by EUR 0.05. Equity per share was EUR 9.34 (EUR 8.83).

Sales and earnings trend by operating unit

The Department Store Division's sales grew by 14 per cent to EUR 1 070.6 million. Sales in Finland were up 7 per cent, clearly outstripping growth in the sector. Factors that contributed to the growth of sales in Finland were the Stockmann department store and Zara store that were opened in the Jumbo Shopping Centre in Vantaa in October as well as the new Stockmann Beauty stores that were opened during the year. Sales by international operations were boosted by the new department stores that were opened in Moscow

REVENUE	2005 EUR mill.	2004 EUR mill.	change EUR mill.	change %
Department Store Division, Finland	**666.7**	624.5	42.2	6.8
Department Store Division, international operations	**232.7**	164.8	67.9	41.2
Department Store Division, total	**899.4**	789.3	110.1	13.9
Stockmann Auto	**338.3**	358.0	-19.6	-5.5
Hobby Hall, Finland	**145.8**	148.6	-2.9	-1.9
Hobby Hall, international operations	**28.9**	29.3	-0.4	-1.4
Hobby Hall, total	**174.7**	177.9	-3.3	-1.8
Seppälä, Finland	**108.7**	105.3	3.3	3.1
Seppälä, international operations	**19.4**	13.0	6.4	49.1
Seppälä, total	**128.1**	118.4	9.7	8.2
Unallocated	**2.1**	1.5	0.6	
Operations in Finland, total	**1 261.5**	1 237.9	23.6	1.9
International operations, total	**281.0**	207.1	73.9	35.7
Total	**1 542.6**	1 445.0	97.5	6.7

in April and December 2004, the new Zara and Bestseller stores as well as by good same-store sales growth in all market areas. Sales by the Department Store Division's international operations grew by 42 per cent and their share of the division's sales rose to 26 per cent (21 per cent). The Department Store Division's operating profit increased by EUR 6.6 million to EUR 70.3 million (EUR 63.7 million). The Department Store Division posted its best-ever operating profit. Operating profit includes EUR 1.4 million of other operating income. The return on capital employed was 19.7 per cent (18.9 per cent).

Stockmann Auto's sales fell by 5 per cent to EUR 414.1 million. The unit's operating profit was EUR 3.1 million, down EUR 3.9 million on the previous year (EUR 7.0 million). Operating profit for 2004 included an EUR 2.3 million payment that was received on the sale of the VW-Audi dealership business in Helsinki's Herttoniemi district. A major factor behind the drop in both sales and operating profit was the transfer of the VW-Audi dealership in Herttoniemi to the importer as from 1 July 2004. The return on capital employed was 4.8 per cent (12.4 per cent).

Hobby Hall's profitability improved significantly, and its operating result increased by EUR 9.0 million. Sales declined by 2 per cent and were EUR 210.5 million. Sales in Finland diminished by 4 per cent owing to the cutback in the store network and the different timing of the mail order catalogues, compared with the previous year. Finland's online sales continued their robust growth. Hobby Hall's sales in the Baltic countries were at the level of last year even though operations in Lithuania were wound up during the first part of the year. Hobby Hall's result swung to profit. Operating profit was EUR 6.1 million (a loss of EUR 2.9 million in 2004). The positive earnings trend was achieved through cost-efficient operations and by effective execution in carrying through the programme aiming at improving the gross margin. The return on capital employed was 7.0 per cent.

Seppälä's sales increased by 8 per cent and were EUR 155.2 million. Sales grew buoyantly abroad, where they were lifted by the stores opened in the Baltic countries and Russia in 2004 and 2005 as well as by the good trend in like-for-like sales. In Finland, sales grew by 3 per cent. Seppälä's operating profit increased by EUR 14.0 million to EUR 31.1 million (EUR 17.1 million). The good sales growth, coupled with a higher relative gross margin, lifted the profit on ordinary operations by EUR 8.4 million, in addition to which operating profit includes a capital gain of EUR 5.6 million on the sale of Seppälä's head office property in November. The return on capital employed increased from 81 per cent to 156 per cent.

Financing and capital employed

Liquid assets at the end of the year were EUR 18.4 million, as against EUR 41.4 million at the end of 2004.

Loan repayments amounted to EUR 36.6 million, and no new long-term loans were raised. Interest-bearing liabilities at the end of the year were EUR 47.2 million (EUR 67.8 million), of which EUR 13.7 million consisted of long-term borrowings. Share subscriptions made through the exercise of Loyal Customer share options and the options for the year 2000 added EUR 7.9 million to shareholders' equity. Capital expenditures amounted to EUR 57.0 million. Net working capital was EUR 237.9 million, and it increased by EUR 24.7 million from the end of the previous year. The equity ratio was 66.4 per cent, as against 62.5 per cent at the end of 2004.

Return on capital employed improved in line with higher earnings and was 19.6 per cent (14.8 per cent at the end of 2004). The Group's capital employed increased by EUR 17.0 million from the end of the previous year and stood at EUR 552.5 million towards the end of the report period (EUR 535.9 million at the end of 2004).

New long-term financial targets

In 2005 the Group achieved the long-term financial targets that were set in 2001: a 15 per cent return on capital ⇨

Revenue 2001-2005

Operating profit 2001-2005

Profit before taxes 2001-2005

OPERATING PROFIT AND RETURN ON CAPITAL EMPLOYED	2005 EUR mill.	2004 EUR mill.	change EUR mill.	2005 ROCE %	2004 ROCE %
Department Store Division	**70.3**	63.7	6.6	**19.7**	18.9
Stockmann Auto	**3.1**	7.0	-3.9	**4.8**	12.4
Hobby Hall	**6.1**	-2.9	9.0	**7.0**	-3.2
Seppälä	**31.1**	17.1	14.0	**156.0**	81.1
Eliminations	**0.3**	-1.7	2.0		
Unallocated	**-7.3**	-3.5	-3.8		
Total	**103.7**	79.8	23.9	**19.6**	14.8

employed and an operating profit margin of at least 5 per cent. In June the Board of Directors confirmed the Group's new financial targets up to 2010. The objective is for the Group's return on capital employed to reach 20 per cent in 2010, with an operating profit margin of at least 8 per cent. The target for Group sales is to outpace the market. The equity ratio target has been set at a level of at least 50 per cent. The dividend policy will remain unchanged, the objective being to pay dividends of at least 50 per cent of the profit on ordinary operations, nevertheless taking into account the financing required to grow the business.

Dividends

For 2004, in accordance with the resolution of the Annual General Meeting, a dividend of EUR 1.00 per share was paid, or a total of EUR 53.0 million. The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 1.10 per share be paid for the 2005 financial year. The proposed dividend is 76.4 per cent of earnings per share.

Organizational changes

On June 17, 2005, Stockmann's Board of Directors appointed Seppälä Oy's managing director, Heikki Väänänen, M.Sc. (Econ.), as director of the Department Store Division and Group executive vice president, effective November 1, 2005. Heikki Väänänen also acts as the alternate to CEO Hannu Penttilä. The Department Store Division's previous head, Jukka Hienonen, Stockmann's executive vice president, resigned from Stockmann's employ to become president and CEO of Finnair.

On August 11, 2005, Stockmann's Board of Directors appointed the sales director of Stockmann's Helsinki department store, Terhi Okkonen, eMBA, as managing director of Seppälä Oy and a member of the Stockmann Group's Management Committee, effective November 1, 2005.

Jussi Kuutsa, M.Sc. (Econ.), head of the Department Store Division's international operations, was appointed the Group's development director for international operations and a member of the Management Committee effective January 10, 2006. Mr Kuutsa is responsible for acquiring the Group's commercial locations outside Finland and implementing projects as well as for administrative functions abroad and the franchising chain businesses.

Stockmann's company lawyer and member of the Management Committee, Jukka Naulapää, LL.M., was appointed the Group's director, legal affairs, effective February 8, 2006.

Capital expenditures

Capital expenditures during the report period totalled EUR 57.0 million (EUR 59.0 million).

The Department Store Division's most important investment was the department store that was opened in leased premises in the new extension to the Jumbo Shopping Centre in Vantaa towards the end of October. The department store has about 11 000 square metres of retail space and it has had good sales performance. Stockmann's share of the total costs for the project came to about EUR 6 million.

The large-scale enlargement and transformation project for the department store in the centre of Helsinki got started. The town plan change required for it was approved by the Helsinki City Council in June. The project involves enlarging the department store's commercial premises by about 10 000 square metres by converting existing premises to commercial use and by building new retail space. In addition, completely new goods handling and maintenance areas will be built as well as a new customer car park. After the enlargement the Helsinki department store will have a total of about 50 000 square metres of retail space. The total cost estimate for the project is approximately EUR 125 million. It is estimated that the works will be completed stage by stage by 2010.

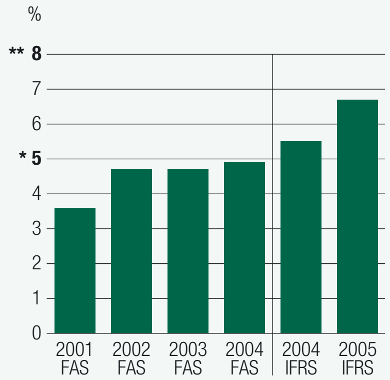
New Stockmann Beauty stores were opened in Jyväskylä as well as at the Iso Omena Shopping Centre and the Sello Shopping Centre in Espoo. Finland's fourth Zara store opened for business at the Jumbo Shopping Centre in Vantaa in October. In early 2006, a Stockmann Beauty store will be opened in the Kamppi shopping mall in Helsinki.

The first Bestseller stores operating on the franchising principle were opened in Russia in 2005: three stores in Moscow and one in St Petersburg. The flagship Zara store in Russia was opened in the heart of Moscow in June and, in addition, three other Zara stores were opened in Moscow. The number of Zara stores in Moscow rose to seven by the end of 2005.

The Department Store Division's capital expenditures came to EUR 47.3 million.

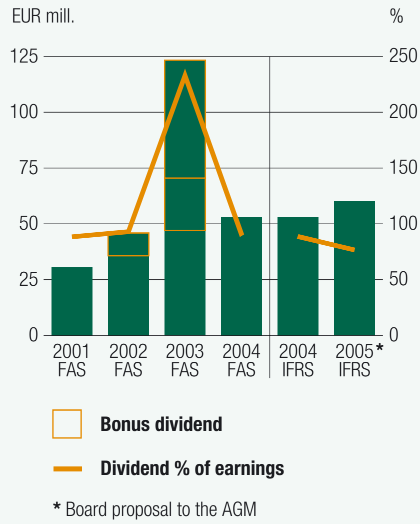
Stockmann Auto's capital expenditures amounted to EUR 2.7 million, of which an outlay of EUR 1.5 million was made on vehicles included in property, plant and equipment. Stockmann Auto

Operating profit % of revenue 2001-2005



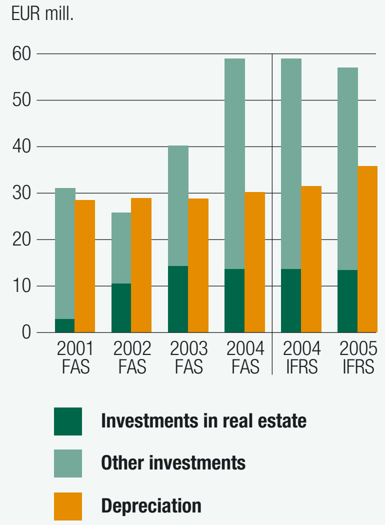
* Former long-term minimum target
** New long-term minimum target

Dividend for the financial years 2001-2005



* Board proposal to the AGM

Investments and depreciation 2001-2005



expanded its operations at its current site in Tampere in October with the launch of a Ford dealership there in addition to the previous Škoda dealership. In Espoo's Niittykumpu district, Škoda was added as a new marque along with Ford. An opportunity for expanding the range of marques opened up at these outlets when the location clause of the Block Exemption Decree governing the motor trade at the EU level was abolished on October 1, 2005.

Hobby Hall's capital expenditures amounted to EUR 1.3 million.

Seppälä's capital expenditures came to EUR 3.4 million. It expanded its operations to Lithuania and opened three stores there during 2005. Both in Finland and in Latvia Seppälä opened two new stores. In Russia, a fourth store was opened in Moscow, and operations were also extended to St Petersburg, where two stores were opened.

Other capital expenditures in the report period amounted to EUR 2.3 million.

Current projects

In 2005 Stockmann signed an agreement on the purchase of a 10 000-odd square metre commercial plot on Nevsky prospect, St Petersburg's high street. The plot is located next to the Vosstaniya Square underground station, in the immediate vicinity of the Moscow Station. Stockmann will erect on the plot a shopping centre with about 50 000 square metres of gross floor space. According to plans, this will be the site of a full-scale Stockmann department store with about 20 000 square metres of retail space, other retail stores, a hotel and an underground car-park. The department store and shopping centre investment will have a price tag of about EUR 80-110 million, depending on the final floor space to be built. Plans call for opening the department store and shopping centre in autumn 2008.

In early 2006, Stockmann signed an agreement with IKEA on leasing space in the Mega Shopping Centre, which is to be built on Moscow's southeast side. This will be the site of the fourth full-scale Stockmann department store in Moscow, and Seppälä and Bestseller stores will also be opened there. Plans call for starting up operations around the turn of the year 2006-2007. Stockmann's total capital expenditure for the site will be about EUR 16 million.

Shares and shareholders

The company's market capitalization increased by EUR 620.5 million during the year and stood at EUR 1 761.3 million at the end of the year (EUR 1 140.8 million).

Stockmann's shares outperformed both the OMX Helsinki Index (the former HEX General Index) and the OMX Helsinki CAP Index (the former HEX Portfolio Index) during the report period. At the end of the year the stock exchange price of the Series A share was EUR 32.11, compared with EUR 21.10 at the end of 2004, and the Series B share was selling at EUR 32.53, as against EUR 21.70 at the end of 2004.

The Helsinki Stock Exchange decided on reducing the round lot for Stockmann shares from 50 shares to 20 as from 1 July 2005.

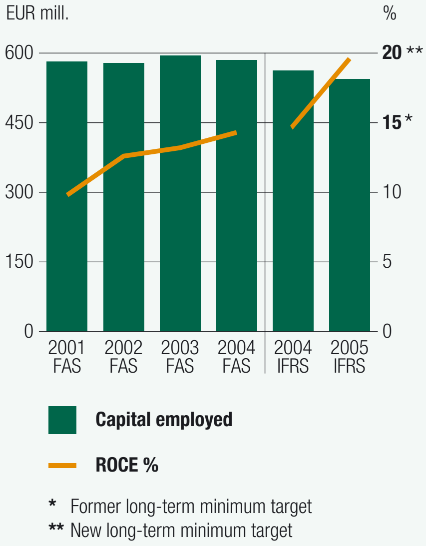
The 4 900 Stockmann plc Series B shares with a par value of 2 euros which were subscribed for in December 2004 with the share options for 2000 were entered in the Trade Register on March 16, 2005, and they were admitted for public trading on the Helsinki Stock Exchange together with existing shares on March 17, 2005.

The Year 2000 Stockmann share options were exercised to subscribe for a total of 690 830 Stockmann plc Series B shares with a par value of 2 euros, of which 279 900 shares were subscribed for in the last quarter. As a consequence of the subscriptions, the share capital was increased by a total of EUR 1 381 660. Of the shares subscribed for in the fourth quarter, 90 450 shares were entered in the Trade Register on November 18, 2005, and 189 450 shares were entered on December 29, 2005. They were admitted to public trading on the Helsinki Stock Exchange together with the old shares on November 21, 2005, and December 30, 2005. ⇨

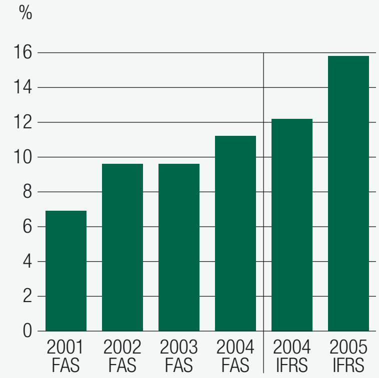
AVERAGE NUMBER OF EMPLOYEES CONVERTED TO FULL-TIME STAFF

	2001	2002	2003	2004	2005
Department Store Division	4 263	4 459	4 782	5 601	6 401
Stockmann Auto	790	741	776	740	690
Hobby Hall	688	755	704	608	537
Seppälä	749	705	709	759	809
Management and administration	91	92	97	104	100
Total	6 581	6 752	7 068	7 812	8 537

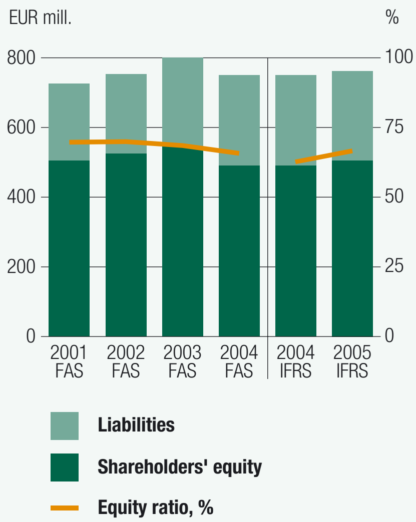
Capital employed and ROCE % 2001-2005



Return on equity 2001-2005



Equity ratio 2001-2005



At the end of December, the Year 2000 Stockmann share options were exercised to subscribe for another 23 350 Stockmann Series B shares with a par value of 2 euros. As a consequence of the subscriptions the share capital was increased by EUR 46 700 million. Stockmann's Board of Directors approved the subscription in its meeting held on 8 February 2005.

By exercising the A, B and C share options for 2000, which are quoted on the Helsinki Stock Exchange, further subscriptions can be made for a total of 1 610 770 new Series B shares with a par value of 2 euros. The subscription price for shares to be subscribed for by exercising the A options, after the dividend to be paid out for 2005, is EUR 12.85, the price through exercise of the B options is EUR 13.85, and the price through exercise of the C options is EUR 14.85 per share. The subscription period for shares to be subscribed for by exercising the share options for 2000 ends on April 1, 2007.

A total of 343 902 Stockmann plc Series B shares with a par value of 2 euros were subscribed for with Stockmann Loyal Customer share options during the subscription period from May 2, 2005, to May 31, 2005. The subscription rights were exercised by 12 851 Stockmann Loyal Customers. As a consequence of the subscriptions, the share capital was increased by EUR 687 804. The subscription price was EUR 8.81 per share. The shares were entered in the Trade Register on June 29, 2005. They were admitted to public trading on the Helsinki Stock Exchange together with the old shares on June 30, 2005. A total of 950 835 Stockmann Series B shares have been subscribed for with Loyal Customer options during 2001-2005. The subscription period ended on May 31, 2005.

Following the above-mentioned increases, the share capital is 108 966 084 euros and the total number of Series B shares is 29 918 799.

Stockmann held 396 876 of its own Series B shares (treasury shares) at the end of 2005, and they represented 0.7 per cent of all the shares outstanding and 0.1 per cent of all the votes. The shares were bought back at a total price of EUR 6.0 million.

The company's Board of Directors does not have valid authorizations to increase the share capital or to float issues of convertible bonds or bonds with warrants or to buy back its own shares.

Board of Directors' proposal for a share option programme for Loyal Customers and key employees, and proposal for an authorization to transfer treasury shares

The Board of Directors will propose to the Annual General Meeting that a total maximum of 2.5 million share options be granted without consideration to Stockmann's Loyal Customers in disapplication of shareholders' pre-emptive subscription rights. The purpose of granting the share options is to offer Loyal Customers a significant benefit that rewards them for patronage and at the same time improves Stockmann's competitive position.

Share options will be granted to Loyal Customers whose purchases during January 1, 2006 – December 31, 2007, together with purchases made on parallel cards for the same account are at least EUR 6 000 in total amount. For purchases of at least EUR 6 000, a Loyal Customer will receive 20 share options without consideration. In addition, for each full 500 euros by which the purchases exceed EUR 6 000, the Loyal Customer will receive an additional two share options. Each share option entitles its holder to subscribe for one of the company's Series B shares. It will be proposed that the subscription price per share be the volume-weighted average price of the Series B share on the Helsinki Stock Exchange during the period February 1 – February 28, 2006. The subscription price of a share subscribed for with the share options will be lowered by the amount of the dividends declared prior to the share subscription, on the record date for each dividend payout. The subscription period for the shares is in May in the years 2008–2010. As a consequence of the subscriptions, the company's share capital can be increased by a maximum of EUR 5.0 million.

The Board of Directors will propose to the Annual General Meeting that a share option programme be targeted at key employees belonging to the senior and middle management of Stockmann and its subsidiaries as part of the incentive and commitment-building scheme for management. A total maximum of 1.5 million share options will be granted and they will entitle their holders to subscribe for a total maximum of 1.5 million of the company's Series B shares. Of the share options, 750 000 will be granted only if the criteria linked to the Group's financial targets as determined by the Board of Directors prior to the distribution of these share options have been met. Otherwise they will lapse. The subscription prices of the shares to be subscribed for on the basis of the share options will be the volume-weighted average price of the company's share on the Helsinki Stock Exchange during February 1 – February 28, 2006, plus 10 per cent, and the volume-weighted average price of the company's share on the Helsinki Stock Exchange during February 1 – February 29, 2008, plus 10 per cent. The subscription price of the shares to be subscribed for with share options will be lowered, by the amount of dividends declared after the commencement of the period for determining the subscription price and prior to the share subscription, on the record date for each dividend payout. The subscription period for the shares to be subscribed for on the basis of the share options will be stepwise during 2008–2013. As a consequence of the subscriptions, the company's share capital can be increased by a maximum of three million euros.

In addition, the Board of Directors will request the Annual General Meeting to grant authorizations for a period of one year to decide on the transfer of the company's treasury shares.

Personnel strength

During the report period the Stockmann Group had an average payroll of 10 558 employees, or 967 more than in the comparison period. The growth in the number of employees was attributable mainly to the new speciality and department stores in Moscow as well as to the new department store in the Jumbo Shopping Centre in Vantaa. Converted to a full-time basis, the average number of personnel increased by 725 employees and was 8 537.

At the end of 2005, Stockmann had 3 737 employees working abroad. At the end of the previous year Stockmann had 3 391 people working abroad. The proportion of the total personnel who were working abroad was at the same level as in the previous year or 32 per cent.

Risk factors

The level of business risk in the Stockmann Group's areas of operations varies. The level of business risk in the Baltic countries has diminished significantly after these countries became members of the European Union, nor do the risks differ in any material respect from business risks in Finland.

Business risks in Russia are higher than in Finland and the Baltic countries, and the operating environment is less stable owing to factors such as the business culture and the undeveloped state of the country's infrastructure. The pervasiveness of the grey economy, particularly in the importation of consumer goods, is still large and plays a part in distorting properly functioning competition. Over the past years, the operating environment and legislation pertaining to business activities have nevertheless improved rapidly. The country's economic growth has been robust thanks to the strong impetus from export revenues in the energy sector. Stockmann has more than 16 years of experience of operating in the Russian market, and during this time the Group has succeeded in carrying on its business in an operating environment that was considerably worse than the present one. Accordingly, even large changes in the operating environment in Russia are not estimated to result in a material increase in the entire Stockmann Group's business risk.

The Group's revenue and earnings are affected by changes in foreign exchange rates between the Group's reporting currency, the euro, and the Russian rouble, the United States dollar as well as certain other currencies.

Stockmann Auto divested

On January 20, 2006, Stockmann sold the entire shares outstanding in its subsidiary Stockmann Auto Oy Ab to Veho Group Oy Ab, the Ford businesses in Turku and Espoo to SOK as well as Stockmann Auto's VW-Audi business to Kesko Corporation's subsidiary Helsingin VV-Auto Oy for a total price of about EUR 70 million. The transaction is contingent on approval by the competition authorities and it is scheduled to enter into force on March 1, 2006. Stockmann will offer its loyal customers Veho's entire range of marques and has launched wide-ranging loyal customer cooperation together with Veho.

Klaus Sundström, managing director of Stockmann Auto Oy Ab and a member of the Stockmann Group's Management Committee, will oversee implementation of the company and business transactions of the vehicle business. After the transactions are completed, Mr. Sundström will take up special duties with Stockmann plc and resign from the company's employ six months after the transactions have been finalized.

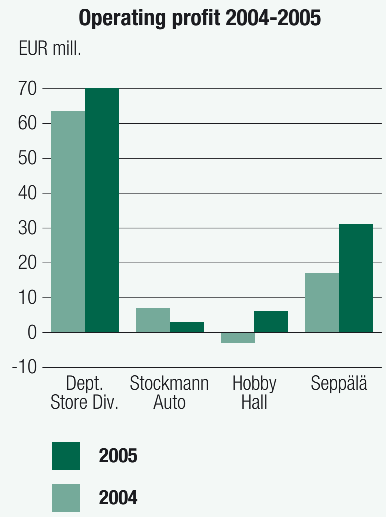
Stockmann sells its Zara franchise subsidiary in Russia

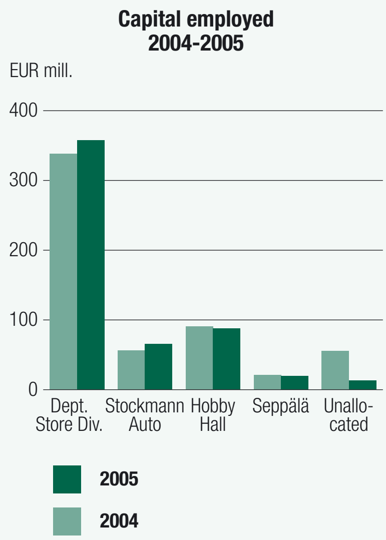
Stockmann sold its subsidiary that is engaged in the Zara business in Russia to the brand's owner, the Inditex company of Spain, and will focus on expanding its own operations in Russia. In Finland, Stockmann will continue the Zara business. In 2002 Stockmann and Inditex concluded an agreement on the basis of which Stockmann received, up to 2010, franchising rights to trade under the Zara brand in Russia. By the end of 2005, Stockmann opened in Russia seven Zara stores, whose operations got off to a good start. Sales by Stockmann's Zara stores in Russia were about EUR 46 million in 2005. In step with the strong growth of the economy, the Russian market has become ever more interesting as an operating environment for retailers. Accordingly, Inditex and Stockmann decided by mutual agreement to cancel their previous contractual arrangements and concentrate henceforth on expanding their own business operations in Russia. As a consequence of the agreement that was made, operations in Russia have been carried out for Inditex's account as from January 1, 2006 and the final agreement, the coming into force of which is contingent on approval by the Russian Anti-monopoly Committee, will be made on May 31, 2006, at the latest. The purchase price was about EUR 41.5 million. The capital gain will improve the Group's earnings substantially in 2006.

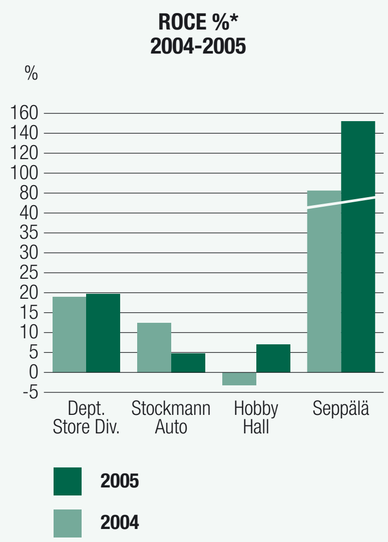
Outlook for 2006

Retail sales, excluding the motor trade, are estimated to increase by about 2-3 per cent in Finland in 2006. It is estimated that the markets in Russia and the Baltic countries will continue growing faster than the Finnish market. Because of the divestment of the vehicle business and the Zara business in Russia, sales in 2006 will diminish, and they are estimated to come in at about EUR 1.6 billion. Sales excluding the divested businesses are estimated to increase.

Operating profit of the Department Store Division and Hobby Hall is estimated to improve further from the level achieved in 2005. Seppälä's operating profit on ordinary operations is estimated to remain at the level reported in 2005. The capital gain on the sale of the vehicle business and the company that was engaged in the Zara business in Russia will improve the Group's earnings significantly in 2006. Stockmann's target is for the Group to post markedly higher profit before taxes in 2006 than it did in 2005.







* Operating profit as a ratio of capital employed

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 trading code for the Series A share is STCAS and for the Series B share STCBV. The trading lot for both Series A and Series B shares is 20 shares.

The company's shares are in the book-entry system and they are listed on Helsinki Exchanges. The number of registered shareholders at December 31, 2005, was 42 169 (33 029 shareholders at December 31, 2004) representing 99.9 per cent of the company's shares outstanding.

Shares

General price trend

Share prices rose on Helsinki Exchanges during the financial year by 31.1 per cent as measured by the OMX Helsinki Index and by 30.1 per cent as measured by the OMX Helsinki CAP Index.

Price trend of Stockmann's shares and share options

	Closing prices Dec. 31, 2005 EUR	Closing prices Dec. 31, 2004 EUR	Change %
Series A	32.11	21.10	52.2
Series B	32.53	21.70	49.9
2000 options A	17.50	5.80	201.7
2000 options B	16.71	5.20	221.3
2000 options C	16.25		

Turnover of Stockmann's shares and share options

	Number of shares	% of total shares outstanding	EUR	Average price EUR
Series A	825 163	3.4	24 036 143	29.13
Series B	14 664 507	49.1	420 368 535	28.67
Total	15 489 670		444 404 678	
2000 options A	346 160		4 944 454	14.28
2000 options B	260 550		3 568 057	13.69
2000 options C	541 350		7 508 353	13.87

The Stockmann shares and share options that were traded accounted for 0.08 per cent of the share turnover on Helsinki Exchanges. The company's market capitalization at December 31, 2005 was EUR 1 761.3 million. The market capitalization at December 31, 2004 was EUR 1 140.8 million.

Share capital

Share Capital of Stockmann plc, December 31, 2005

Series A	24 564 243	shares at EUR 2 each	49 128 486	EUR
Series B	29 895 449	shares at EUR 2 each	59 790 898	EUR
Total	54 459 692	shares at EUR 2 each	108 919 384	EUR

Key employee share options 2000

In 2000, a total of 2 500 000 share options were granted to key employees belonging to the senior and middle management of Stockmann or its subsidiaries. Option A can be exercised to subscribe for 625 000 Stockmann Series B shares at a price of EUR 20 per share, option B to subscribe for 625 000 Series B shares at a price of EUR 21 per share and option C to subscribe for 1 250 000 Series B shares at a price of EUR 22 per share. The subscription price of the share will be reduced by the amount of the cash dividend payout per share after April 11, 2000, and before the share subscription as determined on the record date for each dividend payout. The subscription periods for the shares are as follows: A, April 1, 2003 – April 1, 2007; B, April 1, 2004 - April 1, 2007, and C, April 1, 2005 - April 1, 2007. The subscription prices after the dividend payout proposed by the Board of Directors for the 2005 financial year are on the basis of option A is EUR 12.85 per share, on the basis of option B EUR 13.85 per share and on the basis of option C EUR 14.85 per share. The share options have been issued in the book-entry system, and they are listed on Helsinki Exchanges. A total of 2 500 000 new Series B shares can be subscribed for on the basis of A, B and C options, and by December 31, 2005, a total of 889 230 were subscribed for.

Loyal Customer share options

In spring 2000, a total of 1 382 524 Loyal Customer share options were subscribed for. During the share subscription period in 2005, a total of 343 902 Series B shares at a price of EUR 8.81 per share were subscribed for on the basis of the subscribed options. A total of 950 835 Series B shares were subscribed for on the basis of the Loyal Customer share options in 2001 – 2005. The subscription period ended on May 31, 2005.

Own shares

The company holds 396 876 of its own Series B shares. The Series B shares owned by the company represent 0.7 per cent of all the shares outstanding and 0.1 per cent of all the voting rights. The shares in the company's possession do not confer voting rights at the general meetings of shareholders.

Board of Directors' proposals to the Annual General Meeting 2006

The Board of Directors will propose to the Annual General Meeting that a total maximum of 2 500 000 share options be granted to Stockmann's Loyal Customers without consideration. The share options will be granted to Loyal Customers whose purchases during January 1, 2006 – December 31, 2007, together with purchases made on parallel cards for the same account are at least EUR 6 000 in total amount. For purchases of at least EUR 6 000, a Loyal Customer will receive 20 share options without consideration. In addition, for each full 500 euros by which the purchases exceed EUR 6 000, the Loyal Customer will receive an additional two share options. Each share option entitles its holder to subscribe for one of the company's Series B shares. The subscription price is the volume-weighted average price of the Series B share on the Helsinki Stock Exchange during the period February 1 – February 28, 2006. The subscription price of a share subscribed for with the share options will be lowered, by the amount of the dividends declared after March 21, 2006, and prior to the share subscription, on the record date for each dividend payout. The subscription periods for the shares are May 2, 2008 – May 31, 2008, May 2, 2009 – May 31, 2009 and May 2, 2010 – May 31, 2010. As a consequence of the subscriptions, the company's share capital can be increased by a maximum of EUR 5.0 million. The proportion of shares to be subscribed for on the basis of the share options will be a maximum of 4.2 per cent of the shares outstanding and the proportion of the voting rights will be a maximum of 0.9 per cent.

The Board of Directors will propose to the Annual General Meeting that 1 500 000 share options be granted to key employees belonging to the senior and middle management of Stockmann and its subsidiaries. Of the share options, 375 000 will bear the marking 2006A, 375 000 the marking 2006B, 375 000 the marking 2006C, and 375 000 the marking 2006D. The subscription period for shares with share option 2006A is March 1, 2008 – March 31, 2010; with share option 2006B, March 1, 2009 – March 31, 2011; with share option 2006C, March 1, 2010 – March 31, 2012; and with share option 2006D, March 1, 2011 – March 31, 2013. The subscription period for shares will not, however, commence with the 2006B and 2006D share options unless the criteria linked to the Group's financial targets as determined by the Board of Directors prior to the distribution of these share options have been met. Those share options 2006B and 2006D in respect of which the criteria determined by the Board of Directors have not been met shall lapse in the manner decided by the Board of Directors. One share option will entitle its holder to subscribe for one Stockmann plc Series B share. The subscription price of the share with share options 2006A and 2006B will be the volume-weighted average price of the company's share on the Helsinki Stock Exchange during February 1 – February 28, 2006, plus 10 per cent, and with share option 2006C and 2006D, the volume-weighted average price of the company's share on the Helsinki Stock Exchange during February 1 – February 29, 2008, plus 10 per cent. The subscription price of the shares to be subscribed for with share options will be lowered, by the amount of dividends declared after the commencement of the period for determining the subscription price and prior to the share subscription, on the record date for each dividend payout. As a consequence of the subscriptions, the company's share capital can be increased by a maximum of EUR 3.0 million. The proportion of shares to be subscribed for on the basis of the share options will be a maximum of 2.5 per cent of the shares outstanding and the proportion of the voting rights will be a maximum of 0.5 per cent.

The Board of Directors will request the Annual General Meeting to grant authorizations for a period of one year to decide on the transfer of the company's treasury shares.

Taxation values of shares

The taxation value of the Series A share in 2005 was EUR 22.33 and the taxation value of the Series B share was EUR 22.25.

Dividend policy

Stockmann's Board of Directors has set the dividend payout target at a minimum of half of the earnings derived from the company's ordinary operations. The financing required to grow operations is nevertheless taken into account in determining the dividend.

Changes in the share capital as from January 1, 2001

Subscribed		Entered in the Trade Register	Subscription price EUR	Number of new shares	Additional share capital EUR million	New total share capital EUR million
2002	With the Loyal Customer options	2002	13.06	1 084 B	0.0	102.8
2003	With the Loyal Customer options	2003	12.16	5 580 B	0.0	102.8
2003	With share options	2003	13.21	1 239 700 B	2.5	105.3
2004	With share options	2004	13.21	20 300 B	0.0	105.3
2004	With the Loyal Customer options	2004	10.81	600 269 B	1.2	106.5
2004	With the 2000 key employee options A	2004	14.95	91 950 B	0.2	106.7
2004	With the 2000 key employee options B	2004	15.95	78 200 B	0.2	106.8
2004	With the 2000 key employee options A	2005	14.95	4 900 B	0.0	106.8
2005	With the Loyal Customer options	2005	8.81	343 902 B	0.7	107.5
2005	With the 2000 key employee options A	2005	13.95	199 300 B	0.4	107.9
2005	With the 2000 key employee options B	2005	14.95	145 880 B	0.3	108.2
2005	With the 2000 key employee options C	2005	15.95	345 650 B	0.7	108.9
2005	With the 2000 key employee options A *		13.95	5 200 B	0.0	108.9
2005	With the 2000 key employee options B *		14.95	10 050 B	0.0	108.9
2005	With the 2000 key employee options C *		15.95	8 100 B	0.0	109.0

*According to the terms of subcribtion entitled to dividend for the 2005 financial year

Coming subscriptions with share options*		Subscription period	Subscription price EUR	Number of new shares thousands	Additional share capital EUR million	New total share capital EUR million	Holding %	Proportion of votes %
2006-	With the 2000 key employee options A	Apr. 1, 03-Apr.1, 07	20.00 A/1	324 B				
2007	With the 2000 key employee options B	Apr. 1, 04-Apr.1, 07	21.00 B/2	391 B				
	With the 2000 key employee options C	Apr. 1, 05-Apr.1, 07	22.00 C/3	896 B				
			less dividends after April 11, 2000					
					3.2	112.2	2.9	0.6

*If all options are exercised

1 Subscription price after 2005 dividend payout proposed by the Board of Directors: EUR 12.85

2 Subscription price after 2005 dividend payout proposed by the Board of Directors: EUR 13.85

3 Subscription price after 2005 dividend payout proposed by the Board of Directors: EUR 14.85

Shares and share capital

Shareholders at December 31, 2005

Ownership structure

	Shareholders		Percentage of shares	Percentage of votes
	no.	%	%	%
Households	40 878	96.9	21.9	19.5
Private and public corporations	609	1.5	14.6	17.1
Banks and insurance companies	58	0.1	3.8	1.2
Foundations and others	480	1.2	48.5	59.4
Foreign shareholders (incl. nominee registrations)	143	0.3	10.4	2.7
Unregistered shares			0.1	0.0
Shares owned by the company	1	0.0	0.7	0.1
Total	42 169	100.0	100.0	100.0

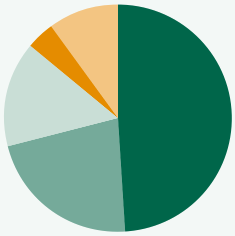
Number of shares

	Shareholders		Percentage of shares
	no.	%	%
1-100	29 340	69.6	1.7
101-1000	10 223	24.2	7.1
1001-10000	2 364	5.6	11.1
10001-100000	197	0.5	9.8
100001-	44	0.1	69.6
Shares owned by the company	1	0.0	0.7
Total	42 169	100.0	100.0

Major shareholders at December 31, 2005

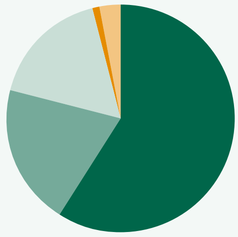
	Percentage of shares	Percentage of votes
	%	%
1 Föreningen Konstsamfundet grouping	11.2	15.2
2 Svenska litteratursällskapet i Finland	8.8	16.6
3 Niemistö grouping	6.9	10.5
4 Etola Group	5.2	7.0
5 Stiftelsen för Åbo Akademi	4.7	6.7
6 Samfundet Folkhälsan i svenska Finland	2.7	3.2
7 Jenny ja Antti Wihurin rahasto	2.3	2.4
8 Tapiola Group	2.1	0.4
9 Inez och Julius Polins fond	2.0	1.0
10 Wilhelm och Else Stockmanns Stiftelse	1.5	2.6
11 Sigrid Jusélius Stiftelse	1.3	2.1
12 Stiftelsen Bensows Barnhem Granhyddan	1.2	1.6
13 Fennia Group	1.2	0.2
14 Helene och Walter Grönqvists Stiftelse	1.1	1.7
15 OP-Delta Investment Fund	0.9	0.2
16 Stiftelsen Brita Maria Renlunds minne	0.8	1.0
17 Stockmann plc	0.7	0.1
18 Varma Mutual Pension Insurance Company	0.7	1.4
19 William Thurings stiftelse	0.6	0.9
20 Ilmarinen Mutual Pension Insurance Company	0.6	0.1
Total	56.5	74.9

Distribution of shares



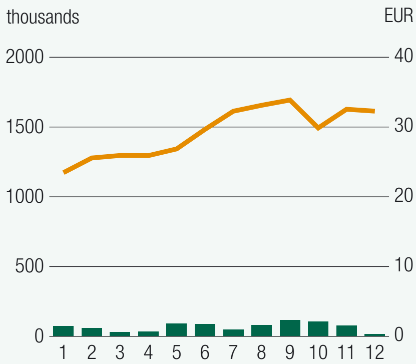
- 49% Foundations and others
- 22% Households
- 15% Private and public corporations
- 4% Banks and insurance companies
- 10% Foreign shareholders (incl. nominee registrations)

Distribution of votes



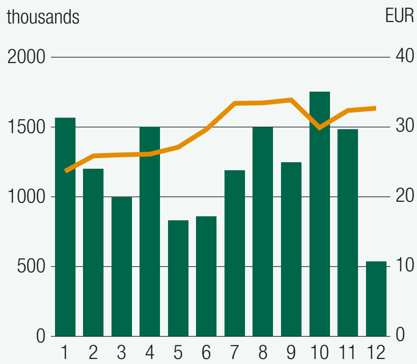
- 59% Foundations and others
- 20% Households
- 17% Private and public corporations
- 1% Banks and insurance companies
- 3% Foreign shareholders (incl. nominee registrations)

Turnover and price trend of Series A shares 2005



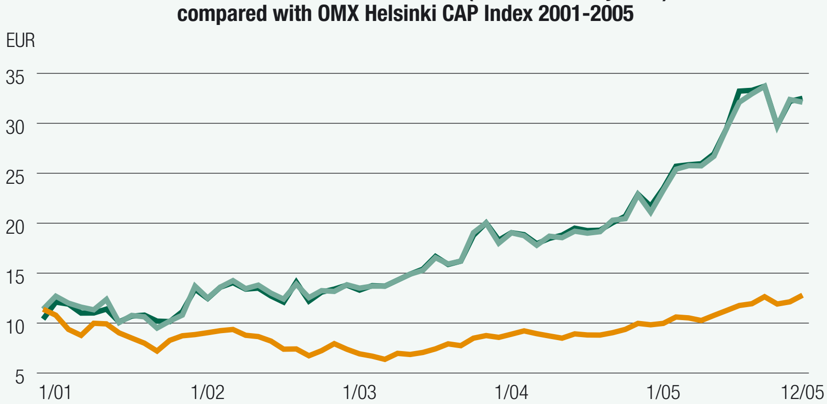
- Number of shares traded
- Monthly closing price

Turnover and price trend of Series B shares 2005



- Number of shares traded
- Monthly closing price

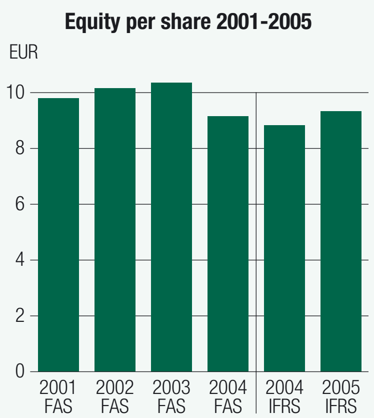
Price trend of Series A and Series B (share-issue adjusted) compared with OMX Helsinki CAP Index 2001-2005

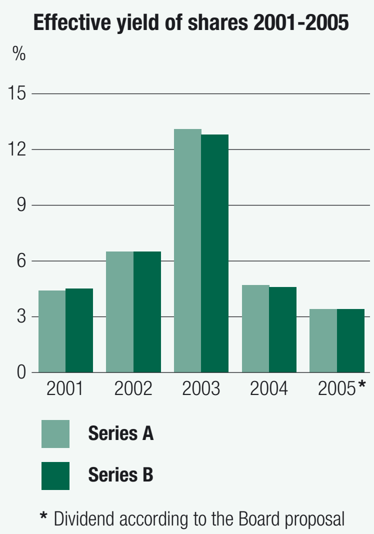


- OMX Helsinki CAP *
- Series A
- Series B

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

Shares and share capital





Key figures

Key figures		FAS 2001	FAS 2002	FAS 2003	FAS 2004	IFRS 2004	IFRS **2005**
Sales	EUR mill.	1 537.6	1 582.3	1 698.6	1 735.0	1 735.0	**1 851.3**
Change on the previous year	%	4.7	2.9	7.4	2.1	2.1	**6.7**
Revenue	EUR mill.	1 281.9	1 315.3	1 412.7	1 445.0	1 445.0	**1 542.6**
Change on the previous year	%	5.0	2.6	7.4	2.3	2.3	**6.7**
Operating profit	EUR mill.	46.3	61.9	65.7	71.4	79.8	**103.7**
Change on the previous year	%	29.6	33.6	6.2	8.6	21.4	**29.9**
Share of revenue	%	3.6	4.7	4.7	4.9	5.5	**6.7**
Profit before taxes	EUR mill.	51.2	68.6	74.0	79.1	78.9	**102.8**
Change on the previous year	%	26.0	34.0	7.9	7.0	6.7	**30.2**
Share of revenue	%	4.0	5.2	5.2	5.5	5.5	**6.7**
Share capital	EUR mill.	102.8	102.8	105.3	106.8	106.8	**109.0**
Series A	EUR mill.	49.7	49.7	49.5	49.1	49.1	**49.1**
Series B	EUR mill.	53.0	53.0	55.8	57.7	57.7	**59.8**
Dividends	EUR mill.	30.6	45.9	123.3	53.0	53.0	**59.5** *
Return on equity	%	6.9	9.6	9.6	11.2	12.2	**15.8**
Return on capital employed	%	9.8	12.6	13.2	14.3	14.8	**19.6**
Capital employed	EUR mill.	584.4	578.4	594.6	584.7	562.5	**544.2**
Capital turnover rate		2.2	2.3	2.4	2.5	2.6	**2.8**
Equity ratio	%	69.5	69.7	68.3	65.5	62.5	**66.4**
Gearing	%	9.1	-3.4	-10.4	5.0	5.7	**5.7**
Investment in fixed assets	EUR mill.	31.1	25.8	40.9	59.0	59.0	**57.0**
Share of revenue	%	2.4	2.0	2.9	4.1	4.1	**3.7**
Interest-bearing debtors	EUR mill.	109.5	110.3	111.4	103.7	116.6	**111.8**
Interest-bearing liabilities	EUR mill.	71.6	52.6	64.7	65.8	68.0	**47.2**
Interest-bearing net debt	EUR mill.	-63.4	-128.1	-168.0	-79.2	-89.9	**-83.3**
Total assets	EUR mill.	728.2	752.7	800.8	750.4	749.0	**761.5**
Staff expenses	EUR mill.	179.0	184.9	194.9	202.2	202.2	**218.0**
Share of revenue	%	14.0	14.1	13.8	14.0	14.0	**14.1**
Personnel, average	persons	8 084	8 313	8 745	9 589	9 589	**10 558**
Revenue per person	EUR thousands	158.6	158.2	161.5	150.7	150.7	**146.1**
Operating profit per person	EUR thousands	5.7	7.4	7.5	7.4	8.3	**9.8**
Staff expenses per person	EUR thousands	22.1	22.2	22.3	21.1	21.1	**20.6**

*) Board proposal to the AGM. According to the proposal, a dividend of EUR 1.10 per share will be paid.

Definition of key indicators

Profit before taxes = Operating profit + financial income and expenses

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

Return on capital employed, % = 100 x $\frac{\text{Profit before taxes}}{\text{Total assets less other non-interest-bearing liabilities (average over the year)}}$

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

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

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

Gearing, % = 100 x $\frac{\text{Interest-bearing liabilities less cash and cash equivalents}}{\text{Equity + minority interest}}$

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

Per-share data

Per-share data1)		FAS 2001	FAS 2002	FAS 2003	FAS 2004	IFRS 2004	IFRS **2005**
Earnings per share	EUR	0.68	0.97	1.01	1.11	1.13	**1.44**
Earnings per share, diluted	EUR	0.68	0.97	1.00	1.09	1.11	**1.42**
Equity per share	EUR	9.80	10.17	10.36	9.16	8.83	**9.34**
Dividend per share	EUR	0.60	0.90	2.35	1.00	1.00	**1.10** *
Dividend per earnings	%	88.2	92.8	232.7	90.1	88.5	**76.4** *
Cash flow per share	EUR	1.00	1.38	1.41	1.62	1.62	**1.53**
Effective dividend yield	%						
Series A		4.4	6.5	13.1	4.7	4.7	**3.4**
Series B		4.5	6.5	12.8	4.6	4.6	**3.4**
P/E ratio of shares							
Series A		20.1	14.3	18.0	19.4	19.0	**22.6** **
Series B		19.6	14.2	18.3	19.9	19.6	**22.9** **
Share quotation at December 31	EUR						
Series A		13.70	13.84	18.00	21.10	21.10	**32.11**
Series B		13.40	13.80	18.30	21.70	21.70	**32.53**
Highest price during the period	EUR						
Series A		13.70	14.85	20.50	23.74	23.74	**37.00**
Series B		13.70	15.00	20.50	23.82	23.82	**35.82**
Lowest price during the period	EUR						
Series A		9.50	11.62	12.80	17.56	17.56	**20.65**
Series B		10.00	11.80	12.92	17.02	17.02	**21.51**
Average price during the period	EUR						
Series A		11.43	13.44	15.89	19.23	19.23	**29.13**
Series B		11.07	13.45	15.91	20.82	20.82	**28.67**
Share turnover	thousands						
Series A		3 032	379	1 781	1 054	1 054	**825**
Series B		5 467	6 146	8 895	10 979	10 979	**14 665**
Share turnover	%						
Series A		12.2	1.5	7.2	4.3	4.3	**3.4**
Series B		20.6	23.2	31.9	38.0	38.0	**49.0**
Market capitalization at December 31	EUR mill.	696.0	710.1	955.6	1 140.8	1 140.8	**1 761.3**
Number of shares at December 31	thousands	51 383	51 384	52 629	53 420	53 420	**54 460**
Series A		24 869	24 869	24 739	24 564	24 564	**24 564**
Series B		26 514	26 515	27 890	28 856	28 856	**29 895**
Weighted average number of shares	thousands	50 970	50 971	51 111	52 544	52 544	**53 350**
Series A		24 706	24 706	24 654	24 598	24 598	**24 564**
Series B		26 264	26 265	26 458	27 946	27 946	**28 786**
Weighted average number of shares, diluted	thousands	50 970	50 971	52 216	53 509	53 509	**54 129**
The own shares owned by the company	thousands	413	413	413	407	407	**397**
Series A		163	163	163			
Series B		250	250	250	407	407	**397**
Total number of shareholders at December 31		13 399	13 999	15 591	33 026	33 026	**42 169**

1) Adjusted for share issues.

*) Board proposal to the AGM. According to the proposal, a dividend of EUR 1.10 per share will be paid.

**) The dilution effect of options has been taken into account in the 2005 figures.

Definition of key indicators

Earnings per share	=	Profit before taxes - minority interest - income taxes Average number of shares, adjusted for share issues
Equity per share	=	Equity - fund for own shares Number of shares on the balance sheet date, adjusted for share issues 2)
Dividend per share	=	Dividend per share, adjusted for share issues
Dividend per earnings, %	= 100 x	Dividend per share Earnings per share
Cash flow per share	=	Cash flow from operating activities Average number of shares, adjusted for share issues
Effective dividend yield, %	= 100 x	Dividend per share, adjusted for share issues Share quotation at December 31, adjusted for share issues
P/E ratio of shares	=	Share quotation at December 31, adjusted for share issues Earnings per share
Share quotation at Dec. 31	=	Share quotation on the balance sheet date, adjusted for share issues
Highest share price during the period	=	Highest price of the company's shares during the period, adjusted for share issues
Lowest share price during the period	=	Lowest price of the company's shares during the period, adjusted for share issues
Average share price over the period	=	Share turnover in euro terms divided by the number of shares traded during the period, adjusted for share
Share turnover	=	Quantitative share turnover, adjusted for share issues
Market capitalization at December 31	=	Number of shares multiplied by the quotation for the respective share series on the balance sheet

2) Without the own shares owned by the company

Consolidated income statement

CONSOLIDATED INCOME STATEMENT	Ref.	Jan.1- Dec. 31, 2005 EUR mill.	% Rev	Jan.1- Dec. 31, 2004 EUR mill.	% Rev	Change %
REVENUE	3	1 542.6	100.0	1 445.0	100.0	6.7
Other operating income	5	7.0	0.5	2.4	0.2	188.8
Raw material and consumables used		1 012.5		955.2		
Change in inventories, increase (-), decrease (+)		-17.1		-3.7		
Raw material and consumables used, total	6	995.5	64.5	951.5	65.8	4.6
Wages, salaries and employee benefits expenses	7	218.0	14.1	202.2	14.0	7.8
Depreciation and impairment losses	8	35.8	2.3	31.5	2.2	13.4
Other operating expenses	9	196.7	12.8	182.5	12.6	7.8
		1 445.9	93.7	1 367.7	94.6	5.7
OPERATING PROFIT		103.7	6.7	79.8	5.5	29.9
Financial income and expenses	10	-0.9	-0.1	-0.9	-0.1	2.2
PROFIT BEFORE TAXES		102.8	6.7	78.9	5.5	30.4
Income taxes	11	26.0	1.7	19.6	1.4	32.4
PROFIT FOR THE PERIOD		76.9	5.0	59.3	4.1	29.5

ATTRIBUTABLE TO:		
Equity holders of the parent company	76.9	59.3
Minority interest	0.0	0.0
	76.9	59.3

Earnings per share	2005	2004
Basic	1.44	1.13
Diluted	1.42	1.11

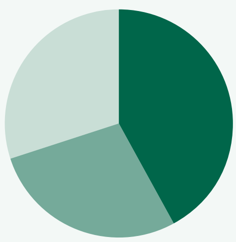
Average number of shares, thousands	2005	2004
Basic	53 350	52 544
Diluted	54 129	53 509

Consolidated balance sheet

CONSOLIDATED BALANCE SHEET	Ref.	Dec. 31, 2005 EUR mill.	Dec. 31, 2004 EUR mill.
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	13		
Intangible rights		7.1	9.1
Goodwill		0.5	0.5
Intangible assets, total		7.6	9.6
Property, plant and equipment	14		
Land and water		21.8	22.5
Buildings and constructions		145.6	143.3
Machinery and equipment		63.0	59.7
Modification and renovation expenses for leased premises		57.6	50.0
Advance payments and construction in progress		15.0	8.2
Property, plant and equipment, total		303.1	283.7
Available-for-sale investments	16	6.0	6.6
Non-current receivables, interest-bearing	17	4.3	8.5
Deferred tax assets	24	3.5	2.0
NON-CURRENT ASSETS, TOTAL		324.5	310.3
CURRENT ASSETS			
Inventories	18	212.0	195.0
Current receivables	19		
Receivables, interest-bearing		107.5	108.1
Receivables, non-interest-bearing		99.2	94.1
Income tax receivable			0.1
Available-for-sale investments			0.0
Current receivables, total		206.6	202.4
Cash and cash equivalents	20	18.4	41.4
CURRENT ASSETS, TOTAL		437.0	438.7
ASSETS, TOTAL		761.5	749.0

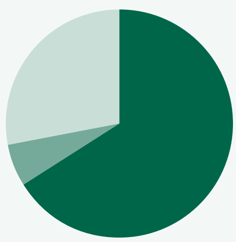
CONSOLIDATED BALANCE SHEET	Ref.	Dec. 31, 2005 EUR mill.	Dec. 31, 2004 EUR mill.
EQUITY AND LIABILITIES			
EQUITY	21		
Share capital		109.0	106.8
Share premium fund		166.5	154.8
Other funds		44.1	44.6
Translation difference		0.0	-0.1
Retained earnings		185.7	161.9
Equity attributable to equity holders of the parent		505.3	467.8
Minority interest		0.0	0.0
EQUITY, TOTAL		505.3	467.9
NON-CURRENT LIABILITIES	22		
Deferred taxes liabilities	24	28.2	29.2
Non-current liabilities, interest-bearing		13.7	15.3
NON-CURRENT LIABILITIES, TOTAL		41.9	44.5
CURRENT LIABILITIES	23		
Current liabilities, interest-bearing			
Repayments of long-term loans in one year			35.0
Current liabilities		33.6	17.7
Current liabilities, interest-bearing, total		33.6	52.7
Current liabilities, non-interest-bearing			
Trade payables and other current liabilities		175.5	175.9
Income tax liability		5.2	8.0
Current liabilities, non-interest-bearing, total		180.7	183.8
CURRENT LIABILITIES, TOTAL		214.3	236.6
LIABILITIES, TOTAL		256.2	281.1
EQUITY AND LIABILITIES, TOTAL		761.5	749.0

Assets 2005



42% Non-current assets
28% Stocks
30% Current assets

Financing 2005



66% Capital and reserves
6% Interest-bearing liabilities
28% Non-interest-bearing liabilities

Statement of changes in equity

STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity holders of the parent									
EUR mill.	**Share capital**	**Share premium fund**	**Treasury share fund**	**Legal reserve**	**Other funds***	**Translation difference**	**Retained earnings**	**Total**	**Minority interest**	**Eguity total**
Equity December 31, 2003	105.3	147.1	6.2	0.2	43.7	-0.1	244.7	547.1	0.0	547.1
Translation differences						0.1	-0.1	-0.1		-0.1
Deferred tax liabilities/assets							-7.5	-7.5		-7.5
Depreciation							-10.8	-10.8		-10.8
Own shares			-6.2					-6.2		-6.2
Financial instruments					0.3		-0.9	-0.6		-0.6
Adjusted equity January 1, 2004	105.3	147.1	0.0	0.2	44.1	0.0	225.4	522.0	0.0	522.0
Options exercised	1.6	7.9						9.5		9.5
Transfer to other funds		-0.2					0.2	0.0		0.0
Cash flow hedges					-0.3		0.2	-0.1		-0.1
Financial instruments					0.6			0.6		0.6
Dividends							-123.3	-123.3		-123.3
Translation differences						-0.1		-0.1		-0.1
Profit for the period							59.3	59.3	0.0	59.3
Equity December 31, 2004	**106.8**	**154.8**	**0.0**	**0.2**	**44.4**	**-0.1**	**161.9**	**467.9**	**0.0**	**467.9**
Options exercised	2.1	11.7						13.9		13.9
Share bonus		0.1						0.1		0.1
Transfer to other funds					0.1		0.2	0.3		0.3
Costs of share issue		-0.1						-0.1		-0.1
Cash flow hedges					-0.6			-0.6		-0.6
Financial instruments								0.0		0.0
Dividends							-53.0	-53.0		-53.0
Translation differences						0.2	-0.2	0.0		0.0
Profit for the period							76.9	76.9	0.0	76.9
Equity December 31, 2005	**109.0**	**166.5**	**0.0**	**0.2**	**43.9**	**0.0**	**185.7**	**505.3**	**0.0**	**505.3**

*excluding deferred tax liability

CONSOLIDATED CASH FLOW STATEMENT

	2005 EUR millions	2004 EUR millions
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the financial year	**76.9**	59.3
Adjustments:		
Deprecation	**35.8**	31.5
Other operating income	**-7.0**	
Interest paid and other financial expenses	**3.7**	4.4
Interest received	**-2.8**	-3.6
Taxes paid	**28.2**	25.2
Changes in working capital:		
Change in trade and other receivables	**-2.6**	-5.5
Change in inventories	**-17.1**	-3.7
Change in trade payables and other liabilities	**0.9**	5.9
Interest paid	**-3.9**	-4.3
Interest received	**1.2**	1.1
Taxes paid	**-31.3**	-23.9
NET CASH FROM OPERATING ACTIVITIES	**81.9**	86.5
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in tangible and intangible assets	**-58.1**	-57.1
Cash from tangible assets	**11.7**	0.5
Capital expenditures on other investments	**0.0**	0.0
Cash from other investments	**1.5**	1.2
Dividends received	**0.2**	0.6
NET CASH USED IN INVESTING ACTIVITIES	**-44.7**	-54.7
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in loans granted, increase (-), decrease (+)		0.1
Proceeds from issue of share capital	**13.9**	9.5
Change in short-term loans, increase (+), decrease (-)	**15.8**	1.7
Repayments of long-term loans	**-36.6**	
Dividends paid	**-53.3**	-123.0
NET CASH USED IN FINANCING ACTIVITIES	**-60.2**	-111.7
Change in cash and cash equivalents	**-23.0**	-79.9
Cash and cash equivalents at start of the financial year	**41.4**	121.3
Cash and cash equivalents at end of the financial year	**18.4**	41.4

Notes to the consolidated financial statements

1. CONSOLIODATED FINACIAL STATEMENTS ACCOUNTING POLICIES

Basic information on the company

The Group's parent company is the Finnish public listed company Stockmann plc, which is domiciled in Helsinki. The parent company's shares are listed on the Helsinki Stock Exchange.

Adoption of International Financial Reporting Standards (IFRS)

Stockmann has adopted International Financial Reporting Standards (IFRS). The company's comparative information for 2004 prepared in accordance with IFRS was published on February 15, 2005, and the segment information supplementing it was published on April 18, 2005. The reconciliation statements and a summary of the effects of the adoption of IFRS on the consolidated income statement, balance sheet and key figures are presented in Note 32

General

Stockmann's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) in reliance on the IAS and IFRS standards as well as the IFRIC and SIC interpretations in force at 31 December 2005. In Finnish accounting legislation and the regulations issued on the basis of it, International Financial Reporting Standards (IFRS) refer to the standards and interpretations regarding them, which have been approved in the Regulation of the European Parliament and of the Council on the application of international accounting standards. The notes to the consolidated financial statements are also in accordance with Finnish accounting and company legislation.

The financial statement information is presented in millions of euros and is based on historical costs unless indicated otherwise in the accounting policies set out here.

Use of estimates

In preparing the consolidated financial statements in accordance with IFRS, certain estimates and assumptions concerning the future need to be made. These influence the amounts of assets and liabilities in the balance sheet, the contingent items presented as well as revenue and expenses for the financial period. In addition, judgment must be used in applying the accounting policies. The actual amounts can differ from the underlying estimates and assumptions.

Principles of consolidation

The consolidated financial statements include the parent company, Stockmann plc, as well as all the subsidiaries in which the parent company holds, either directly or indirectly, over 50 per cent of the number of votes conferred by the shares or in which the parent company otherwise has a controlling interest.

Acquired subsidiaries are included in the financial statements using the purchase method, according to which all the identifiable assets and liabilities and contingent liabilities of the acquired company are measured at fair values at the date of acquisition. The remaining unallocated portion of the difference between the acquisition cost of shares in a subsidiary and the actual value of the acquired assets, liabilities and contingent liabilities is goodwill.

In accordance with the exemption permitted under IFRS 1, acquisitions prior to the date of transition to IFRS have not been adjusted according to the principles set out in IFRS 3 but have been left in accordance with Finnish Accounting Standards (FAS). Subsidiaries acquired during the financial year are included in the consolidated financial statements from the date of acquisition, and divested subsidiaries up to the time of sale.

Intra-Group transactions, receivables, liabilities, unrealized margins and internal distribution of profits are eliminated in the consolidated financial statements. The profit for the financial year is distributed to the parent company's shareholders and to minority interests. Minority interest is presented as an individual item in the Group's equity.

Joint ventures over which Stockmann has joint control on the basis of an agreement or Articles of Association with another party are accounted for using the proportionate consolidation method. The shares of mutual real-estate companies owned by Group companies are treated as joint ventures. The consolidated financial statements include Stockmann's proportionate share of the joint venture's assets, liabilities, income and expenses from the date when joint control has been obtained up to the date it ends. Companies acquired during the year have been consolidated as from the date of acquisition. Stockmann does not own shares in other kinds of associates.

Segment reporting

The operations of Stockmann plc and its subsidiaries are divided into four business segments: the Department Store Division, which carries on department store and speciality trade; Stockmann Auto, which is engaged in the retail sale of vehicles as well as servicing and repair operations; Hobby Hall, a distance retailer; and Seppälä, a fashion retailer. The segment others includes functions serving the entire Group. The Group's secondary, geographical segments are Finland, the Baltic countries and Russia.

Items denominated in foreign currency

The consolidated financial statements are presented in euros, which is the functional and presentation currency of the Group's parent company.

Transactions in foreign currency are recorded in the amounts of each company's functional currency, applying the exchange rate on the date of the transaction. Receivables and liabilities at the date of closing the accounts are translated at the exchange rate at the balance sheet date. Exchange differences arising on translation are entered in the income statement.

The income statements of foreign subsidiaries are translated to euros at the average rate during the financial period and the balance sheets at the rate at the balance sheet date. The exchange rate difference arising from the translation of income statement items at the average rate and balance sheet items at the balance sheet date is recorded as a separate item in equity. The financial statements of Russian subsidiaries have been translated to euros under IAS 21 using the euro as the functional currency. The euro has been considered the functional currency of Russian subsidiaries because purchases of goods are made primarily by the parent company outside Russia and a margin target defined in euros is observed in setting selling prices. Furthermore, a large part of the expenses of Russian subsidiaries is tied to the euro or the US dollar. In accordance with IAS 21, monetary items, i.e. those in cash, of Russian subsidiaries are translated to euros in the consolidated financial statements using the exchange rate at the balance sheet date, and non-monetary items, such as non-current assets, inventories and equity, using the rate on the date of the transaction.

Cumulative translation differences that have accrued prior to the date of transition to IFRS are recorded in retained earnings in accordance with the exemption permitted under IFRS 1. In preparing the consolidated financial statements, the translation differences arising from exchange rate changes in the equity of subsidiaries and associates have been recorded, as from the transition date, as a separate item in translation differences under the Group's equity. When a foreign subsidiary or joint venture is divested, the cumulated translation difference is entered in the income statement as part of the capital gain or loss.

Derivative contracts and hedge accounting

The Group treats derivative contracts in the manner defined in IAS 39 as from January 1, 2005. Derivative contracts are initially recognized at the original cost, which corresponds to their fair value. After acquisition, derivative contracts are measured at fair value. Changes in the fair value of derivatives are recognized through profit or loss, except for derivatives to which hedge accounting for cash flow hedges is applied and which meet the criteria for hedge accounting defined in IAS 39.

The fair value of interest rate swaps is defined on the basis of the present value of future cash flows, applying market prices at the balance sheet date. Changes in the fair value of interest rate swaps are recognized in financial income and expenses through profit or loss. The fair value of currency forwards is calculated by measuring the forward contracts at the forward rates at the balance sheet date. The results of the measurement of currency forwards are recorded in financial income and expenses through profit or loss, except for currency forwards to which hedge accounting for cash flow hedges as defined in IAS 39 is applied.

Hedge accounting is applied to hedging instruments that meet the requirements of IAS 39, which are duly documented and effective in hedging forecast foreign currency-denominated sales and purchases. The hedged cash flow must be highly probable and ultimately affect profit or loss. The hedge effectiveness is monitored as set out in IAS 39. A hedging relationship is considered to be effective when the change in the fair value of the hedging instrument offsets 80-125 per cent of the changes in the fair value of the hedged cash flow. The hedging relationship must be effective, and the effectiveness is reviewed both at the inception of the hedge and subsequently effectiveness is tested at each balance sheet date.

Changes in the fair value of derivative contracts taken out to hedge cash flows are recorded in the fair value reserve under equity and any remaining ineffective component is entered in items adjusting sales or purchases through profit or loss. Cumulative changes in fair value in equity are entered in items adjusting sales or purchases through profit or loss in the same period as the forecast transactions covered by hedge accounting are entered in the income statement. If a hedged cash flow is no longer expected to be realized, the related measurement result that has been booked for the hedging instrument directly in equity is transferred to the income statement under items adjusting sales or purchases.

The hedging relationship between the hedged item and the hedging instruments is documented at the inception of the hedge. The documentation includes identification of the hedging instrument and the hedged item, the nature of the risk being hedged, the objectives of risk management and calculations of hedge effectiveness.

Goodwill and other intangible assets

The goodwill arising from the acquisition of a company constitutes of the difference between the acquisition cost and the identifiable net assets acquired, which are measured at fair value. Goodwill is allocated to cash-generating units and it is tested annually to determine any impairment.

Other intangible assets comprise copyrights and software licences. They are measured at acquisition cost and amortized over their estimated economic lives.

The amortization periods of intangible assets (years) are:

- intangible rights 5
- software 5

Subsequent expenses related to intangible assets are capitalized if and only if the economic benefit of the asset increases as a result of said expenditure. Otherwise, the costs are expensed when they are incurred.

Property, plant and equipment

Land areas, buildings, other non-current expenditure as well as machinery and equipment comprise the bulk of property, plant and equipment. Revaluations included in land areas and buildings have been a part of the carrying value according to the previous accounting policies and have been deemed to constitute a part of the acquisition cost under IFRS. Modification and renovation expenses for leased premises include items such as the finishing works on the interiors of commercial premises located in leased buildings.

Property, plant and equipment is measured in the balance sheet at acquisition cost less accumulated depreciation and any impairment losses. The cost of self-constructed assets includes materials and direct labour. If the item of property, plant and equipment is comprised of several components having economic lives of differing length, the components are treated as separate items of property, plant and equipment. Subsequent expenditure is recognized when it increases the future economic life of the asset. Other costs, such as normal maintenance and repair measures, are entered in the income statement as expenses when they are incurred.

Straight-line depreciation is recorded on property, plant and equipment in accordance with each item's economic life. Land areas are not depreciated.

The depreciation times (years) for property, plant and equipment are:

- buildings and structures 20-50
- modification and renovation of leased premises 5-20
- machinery and equipment 4-10
- EDP equipment and lightweight store fixtures and equipment 3-5

Gains and losses arising on the sale or transfer of items of property, plant and equipment are recorded in the income statement.

Notes to the consolidated financial statements

Impairment of assets

The carrying values of asset items are assessed regularly to determine whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recorded when the balance sheet value of the asset item or cash-generating unit is greater than its recoverable amount. Impairment losses are recorded in the income statement.

An impairment loss on a cash-generating unit is allocated first as a reduction to the goodwill of the cash-generating unit and thereafter it is applied to reduce the unit's other asset items on an equal percentage.

The recoverable amount of intangible and tangible assets is defined as the higher of its fair value less costs to sell and its value in use. In determining value in use, the estimated future cash flows are discounted to their present value based on the discount rates reflecting the average capital costs before taxes of said cash-generating unit.

An impairment loss on property, plant and equipment as well as other intangible assets, except for goodwill is reversed, if a change has occurred in the estimates used in determining the recoverable amount of the asset item. An impairment loss is not, however, reversed to an extent greater than what the carrying amount of the asset (less depreciation or amortization) would have been if an impairment loss had been recorded in previous years.

Lease agreements

Lease agreements in accordance with IAS 17 Lease Agreements, in which the Group assumes substantially all the economic risks and rewards incident to ownership of the asset are classified as finance lease agreements. Assets acquired under finance lease agreements, less accumulated depreciation, are recorded in property, plant and equipment, and the obligations under the agreement are recorded in interest-bearing liabilities. Lease payments under a finance lease agreement are split between financial expenses and a reduction in lease liabilities.

Finance lease agreements in accordance with IAS 17 are recorded in the balance sheet and they are measured at an amount equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Depreciation according to plan is booked on assets obtained on a finance lease, and any impairment losses are recorded. Items of property, plant and equipment are depreciated according to the Group's depreciation periods, or, if shorter, the lease term.

Lease agreements in which the economic risks and rewards incident to ownership remain with the lessor are treated as other lease agreements (operating leases). Lease payments received and paid on the basis of other lease agreements are recognized as income or expense in the income statement.

The Stockmann Group is not a lessor in lease agreements that should be interpreted as finance lease agreements.

Inventories

Inventories are measured at the lowest of acquisition cost or net realizable value. In ordinary operations the net realizable value is the estimated selling price which is obtainable less the estimated costs incurred in bringing the product to its present condition and the necessary selling expenses.

The value of inventories is determined using the FIFO method, the retail method permitted under IAS 2 or the weighted average cost method and it includes all the direct costs of the purchase.

Receivables

The recoverable amount is calculated on trade receivables by multiplying age-ranked groups of receivables by the recovery percentages determined through experience. Doubtful accounts are recorded in the income statement as expenses by entering the difference between the original value of each group of receivables and the recoverable amount. Confirmed credit losses are entered as expenses in the income statement.

In customer financing of vehicle sales, hire purchase agreements that have been transferred to finance companies and for which all the economic risks, rewards and control have not been passed to the transferee are stated as receivables in the balance sheet.

Investments

Investments in equity and debt marketable securities as well as unlisted shares are classified in accordance with IAS 39 in the following groups: 1) financial assets at fair value through profit or loss, 2) held-to-maturity investments, 3) loans and other receivables and 4) available-for-sale financial assets.

All investments except for shares classified as available-for-sale financial assets are included in the group financial assets at fair value through profit or loss. The items in the group are measured at fair value using market prices on the balance sheet date, present value methods for cash flows or other appropriate valuation models. Changes in fair value are recorded through profit or loss.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in another group. They are included in non-current assets, except those which are to be held for less than 12 months from the balance sheet date, in which case they are included in current assets. This category includes the Group's investments in shares, and they are measured at fair value. The fair value of publicly quoted shares is the market price on the balance sheet date. Changes in fair value are recorded in the fair value reserve under equity. Changes in fair value are transferred from equity to the income statement when the investment is sold or when its value has declined such that an impairment loss must be recorded on the investment. Unlisted shares are stated at their initial cost or, if they are under a permanent impairment, at this lower value, unless their fair values are not obtainable reliably.

Purchases and sales of financial assets are recognized on the trade date, which is the day when the company has made a commitment to purchase or sell the asset item. An item belonging to financial assets is derecognized in the balance sheet when the company relinquishes its contractual rights to it, the rights expire or it loses control over them.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, current bank deposits as well as other current, highly liquid investments with a maturity of no more than three months at the date of acquisition. The fair value of cash and cash equivalents are assumed to approximate their carrying values because of their short maturities.

Interest-bearing liabilities
Interest-bearing liabilities are recorded originally in the accounts at fair value based on the consideration received. Transaction costs are included in the original carrying value of interest-bearing liabilities. Subsequently, interest-bearing liabilities are measured at amortized cost using the effective interest method. Non-current liabilities fall due in 12 or more months and current liabilities have a maturity of less than 12 months.

Pension plans
The disability component of the Finnish TEL employment pension plan is treated as a defined-contribution plan. Payments for contribution-based pension plans are made to a pension insurance company. Payments made for contribution-based plans are recorded in the income statement in the financial period which the debit concerns. The Group does not have defined-benefit pension plans or other post-employment benefits.

Share-based payments
The Group granted share options to key employees in 1997 and 2000 and to Loyal Customers in 2000. When the warrants are exercised to subscribe for shares, the share capital account and share premium account are credited with the amount of payment received, less the costs of making the subscription.

Group management has a share bonus system, the expenses of which are entered in the income statement as staff expenses for the financial period in which the share bonus has vested on the basis of the profit earned.

Provisions
A provision is recognized when the Group has a legal or constructive obligation as a result of a past event, it is probable that a payment obligation will be realized and the amount of the obligation can be estimated reliably.

Income taxes
Tax expense in the income statement comprises the current tax and deferred taxes. Current tax is calculated on taxable income using the tax rate that is in force in each country. Taxes are adjusted for any taxes for previous periods. Income taxes are presented in the income statement unless the transaction relating to the taxes is presented directly in equity, in which case the tax effect is stated in equity.

Deferred taxes are calculated on the temporary differences between the accounting value and the tax base. The largest temporary differences arise from depreciation on property, plant and equipment, unused tax losses, measurements at fair value and other periodization differences. Deferred taxes are not recorded for tax purposes on non-deductible impairment losses on goodwill. Similarly, deferred taxes are not booked on the undistributed earnings of subsidiaries before a dividend payout resolution has been passed by the shareholders.

Deferred taxes have been calculated by applying the tax rates in force by the balance sheet date.

A tax asset is recognized to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized.

Treasury shares
When Stockmann plc or its subsidiaries buy back the company's own shares, equity is reduced by an amount equal to the consideration paid, including transaction costs, less the tax asset. If the acquired shares are sold or transferred as consideration, the consideration received less tax liability is recorded in equity.

Dividends payable
The dividend payout proposed by the Board of Directors has not been entered in the financial statements. Dividends are recorded on the basis of a resolution passed by a general meeting of the shareholders.

Recognition of income
Revenue from the sale of goods is recognized when the significant risks and benefits of ownership have been transferred to the buyer. Revenue from services is recorded when the service has been rendered. The hire purchase charge connected with Hobby Hall's one-time consumer credits is included in the selling price and recorded in revenue instead of interest income.

In calculating revenue, items such as indirect taxes and discounts granted have been deducted from sales.

Other operating income
Among items included in other operating income are gains on the sale of property, plant and equipment as well as income received on the sale of a business.

Other operating expenses
Other operating expenses include losses on the sale of assets as well as expenses other than those related to the actual sale of goods and services. Interest income received on interest-bearing trade receivables is entered as a reduction in other operating expenses.

Application of revised or amended IFRS standards
In 2006 the Group will adopt the following revised or amended standards and IFRIC interpretations that were published in 2004 and 2005:

IFRIC 4 Determining whether an Arrangement Contains a Lease.

The Group estimates that the adoption of IFRIC 4 will not have a material effect on the Group's financial statements in coming years.

In 2006 the Group will adopt the standard IFRS 7 Financial Instruments: Disclosures that was published in 2005. In the Group's estimation, the new standard will have an impact mainly on the Notes to the consolidated financial statements.

Exchange rates		Closing rates		Average yearly rate	
Country	Currency	Dec.31, 2005	Dec.31, 2004	2005	2004
Russia	RUB	33.9200	37.7570	35.1860	35.8447
Estonia	EEK	15.6466	15.6466	15.6466	15.6466
Latvia	LVL	0.6962	0.6979	0.6962	0.6652
Sweden	SEK	9.3885	9.0206	9.2822	9.1243
Lithuania	LTL	3.4528	3.4528	3.4528	3.4529

Notes to the consolidated financial statements

2. MANAGEMENT OF FINANCIAL RISKS

The Group's financing and the management of financial risks are handled on a centralized basis within Stockmann plc's Treasury function in accordance with the Treasury Guidelines that are approved by the Board of Directors. Treasury Management acts in accordance with more detailed operating instructions setting out the principles of managing financial risks as well as the management of liquidity and securities. The divisions have separate instructions for hedging foreign exchange exposure and for the policy regarding securities.

The Group's main financial risks are currency risk, interest rate risk, liquidity risk and counterparty risk. The divisions hedge their currency risk against Group Treasury, which makes the Group's external financial agreements with banks and other financial institutions. Group Treasury is responsible for managing risks at the Group level, such as interest rate risk and liquidity risk. Group Treasury also functions as an internal bank and serves the divisions in their daily financing activities, foreign exchange dealing and cash management.

Currency risk

The Group's currency risk consists of sales and purchases made in foreign currency as well as balance sheet items and also foreign-currency-denominated investments in units abroad.

The most important sales currencies are the Russian rouble, the Estonian kroon and the Latvian lat, and the primary purchasing currencies are the United States dollar, the British pound, the Hong Kong dollar and the Swedish krona. In 2005, foreign currency-denominated sales accounted for 18 per cent of the Group's entire sales, and purchases made in foreign currency made up 4 per cent of the Group's purchases. The fast turnover rate typical of the retail trade reduces the currency risk deriving from purchases.

The management of currency risk related to operational cash flows is based on the forecast 12-month cash flows currency by currency. The hedging period is generally a maximum of 12 months and the degree of hedging for individual currencies can vary in the range of 0–100%. Balance sheet items and foreign currency-denominated investments made in units abroad are monitored and hedged separately. The degree of hedging can vary from 0 to 100 per cent.

The instruments used in hedging currency risk are currency derivatives and borrowing in foreign currency.

Interest rate risk

Fluctuations in the level of interest rates affect Group's interest rate expenses and interest rate income. A dual approach is employed in managing interest rate risk. The Group's borrowings and investments are diversified across different maturities and, furthermore, floating rate and fixed-interest instruments are used. The management of interest rate risk also involves the use of forward rate agreements and futures, interest rate options and interest rate swaps. The average interest rate maturity of the loan and investment portfolio is a maximum of five years.

Liquidity risk

The aim of managing liquidity risk is to ensure that the Group is able to meet its financial obligations at any time. The trend in liquidity is monitored by means of cash flow forecasts. Liquidity risk is controlled by means of effective cash management, ensuring sources of financing at a reasonable price and keeping a sufficient portion of investments in a diversified range of liquid financial instruments. In addition to cash assets of EUR 18.4 million the Group had unused committed credit facilities of EUR 100 million at December 31, 2005. Furthermore, the Group had an EUR 362.5 million domestic commercial paper programme of which EUR 33.5 million was in use at December 31, 2005.

Counterparty risk

Financial instruments involve the risk that the counterparty to an agreement does not fulfil its obligations. Counterparty risk is managed by means of counterparty limits. Investments in financial instruments are made only with counterparties that are judged to be highly creditworthy and solid financially. Cash assets are invested in financial instruments that are judged to be liquid and to have a low risk. Counterparty limits are revised and approved semi-annually.

Credit risk

The Group does not incur major credit risk. Receivables consist of a large amount of small receivables and the customers are primarily private individuals whose creditworthiness has been checked.

3. SEGMENT INFORMATION

The Stockmann Group's primary business segments are the Department Store Division, Stockmann Auto, Hobby Hall and Seppälä.

Department Store Division

The Department Store Division is engaged in the department store trade in Finland, Russia, Estonia and Latvia. In Finland and Russia it also has speciality stores, part of which operate on a franchise basis. The division's operations are concentrated in the major cities of each country where it operates. At 31 December 2005, the Department Store Division comprised seven department stores, four Zara stores and 11 Stockmann Beauty stores in Finland, three department stores, 7 Zara stores, 4 Bestseller stores and two other speciality stores in Russia as well as a department store in Estonia and in Latvia.

Stockmann Auto

Stockmann Auto is engaged in selling new and used vehicles as well as providing servicing and repairs in all the localities in Finland where Stockmann has a department store. The company has an extensive range of marques. At 31 December 2005, Stockmann Auto had nine outlets in the Greater Helsinki area as well as an outlet in Turku, Tampere and Oulu.

Hobby Hall

Hobby Hall carries on distance retailing in consumer goods in Finland, Estonia and Latvia. In Finland it has two stores and in Estonia one store which support its distance retailing operations.

Seppälä

Seppälä is a chain of fashion stores in Finland, Russia, Estonia, Latvia and Lithuania, and its operations are based on its own design. At 31 December 2005, it had 125 stores in Finland, 14 in Estonia, eight in Latvia, six in Russia and three in Lithuania.

3. SEGMENT INFORMATION, JANUARY 1 - DECEMBER 31, 2005

BUSINESS SEGMENTS

EUR millions	Department Store Division	Stockmann Auto	Hobby Hall	Seppälä	Unallocated 1)	Eliminations	Group
Income statement information, Jan. 1 - Dec. 31							
Sales	1 070.6	414.1	210.5	155.2	0.9		1 851.3
Revenue	899.4	338.3	174.7	128.1	2.1		1 542.6
Operating profit	70.3	3.1	6.1	31.1	-7.3	0.3	103.7
Depreciation	26.7	2.4	2.9	2.2	1.6		35.8
Balance sheet data, Dec. 31							
Capital expenditures	47.3	2.7	1.3	3.4	2.3		57.0
Assets 2)	486.5	98.2	106.3	31.2	39.3		761.5
Non-interest-bearing liabilities 3)	113.0	36.9	15.3	10.9	32.9		209.0
Interest-bearing liabilities					47.2		47.2
Number of employees, average	8 031	696	672	1 053	106		10 558

1. Includes corporate administration expenses that are not allocatable to the business segments
2. Segment assets include goodwill, intangible rights, property, plant and equipment, inventories, trade receivables, other receivables as well as cash and cash equivalents
3. Segment liabilities include trade payables and other non-interest-bearing liabilities

SEGMENT INFORMATION, JANUARY 1 - DECEMBER 31, 2004

BUSINESS SEGMENTS

EUR millions	Department Store Division	Stockmann Auto	Hobby Hall	Seppälä	Unallocated 2)	Eliminations	Group
Income statement information, Jan. 1 - Dec. 31							
Sales	938.8	437.1	214.4	143.7	0.9		1 735.0
Revenue	789.3	358.0	177.9	118.4	1.5		1 445.0
Operating profit 1)	63.7	7.0	-2.9	17.1	-3.5	-1.7	79.8
Depreciation	22.1	1.7	3.3	2.5	1.2		30.7
Balance sheet data, Dec. 31							
Capital expenditures	48.8	4.4	1.2	1.2	3.3		59.0
Assets 3)	443.1	113.1	102.2	29.2	61.3		749.0
Non-interest-bearing liabilities 4)	96.5	45.1	17.0	10.3	44.1		213.0
Interest-bearing liabilities	0.0	0.0	0.0	0.0	68.1		68.1
Number of employees, average	7 018	747	761	957	106		9 589

1. Stockmann Auto's operating profit includes EUR 2.3 million for a compensation payment on transfer of a business
2. Includes corporate administration expenses that are not allocatable to the business segments
3. Segment assets include goodwill, intangible rights, property, plant and equipment, inventories, trade receivables, other receivables as well as cash and cash equivalents
4. Segment liabilities include trade payables and other non-interest-bearing liabilities

GEOGRAPHICAL SEGMENTS, 2005

EUR millions	Finland 1)	Baltic Rim 2)	Russia 3)	Unallocated	Eliminations	Group
Sales	1 520.9	140.8	189.6			1 851.3
Revenue	1 261.5	119.7	161.4			1 542.6
Operating profit	95.4	7.3	1.0			103.7
Capital expenditures	34.6	1.7	20.7			57.0
Assets	587.4	72.2	101.9			761.5
Number of employees, average	7 235	1 144	2 179			10 558

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

GEOGRAPHICAL SEGMENTS, 2004

EUR millions	Finland 1)	Baltic Rim 2)	Russia 3)	Unallocated	Eliminations	Group
Sales	1 492.9	119.5	122.5			1 735.0
Revenue	1 237.9	102.0	105.1			1 445.0
Operating profit	76.9	0.2	2.7			79.8
Capital expenditures	22.3	3.1	33.5			59.0
Assets	602.2	70.9	75.9			749.0
Number of employees, average	7 097	1 064	1 428			9 589

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

Notes to the consolidated financial statements

4. OPERATIONS DIVESTED AND ACQUIRED

The real estate management company Kiinteistö Oy Vantaan Rasti was sold in November 2005 for EUR 11.7 million. A capital gain of EUR 7.0 million was booked on the transaction and entered in other operating income.
In July 2004 the Volkswagen-Audi dealership business in Helsinki's Herttoniemi district was sold to a Kesko subsidiary.
Consideration of EUR 2.3 million was booked on the transaction.
The Volkswagen-Audi dealership in Herttoniemi had sales in 2003 of EUR 106.4 million, or 22 per cent of Stockmann Auto's sales.
Autotalo Jurvakainen Oy, a BMW-MINI dealer in Oulu, was purchased in October 2004 for a price of EUR 2.8 million, which resulted in recognizing goodwill of EUR 0.5 million.
The annual sales of Autotalo Jurvakainen were about EUR 10.0 million at the time of acquisition. After the deal was closed, the Autotalo Jurvakainen business was transferred in February 2005 to Stockmann Auto Oy Ab.

Businesses acquired **EUR mill.**	**2004** **Fair values recorded on consolidation**	**Carrying values before consolidation**
Property, plant and equipment	0.9	0.0
Inventories	0.8	0.8
Trade receivables	0.5	0.5
Cash and cash equivalents	0.8	0.8
Assets, total	3.0	2.2
Other liabilities	0.7	0.7
Liabilities, total	0.7	0.7
Net assets	2.3	1.4
Acquisition cost	2.8	
Goodwill	0.5	
Purchase price paid in cash	2.8	
Cash assets of subsidiary acquired	0.8	
Cash flow effect	2.0	

Operations divested

EUR mill.	**2005**
Property, plant and equipment	3.5
Trade receivables	1.2
Other creditors	0.0
Assets, total	4.7
Capital gains	7.0
Consideration, total	11.7
Received in cash	11.7
Cash flow from divestments	11.7

Internal changes in the Group structure

Oy Stockmann Russia Finance Ab was established in Finland in autumn 2004 for the purpose, among other things, of financing the asset acquisitions of Russian subsidiaries.
In addition, Oy Stockmann Russia Holding Ab was established and the shares of subsidiaries engaged in operations in Russia were transferred to its ownership.
In the beginning of 2005, the Stockmann Vehicle Division was incorporated by transferring the business to the parent company's wholly-owned subsidiary Stockmann Auto Oy Ab.

5. OTHER OPERATING INCOME

EUR mill.	**2005**	2004
Payment for transfer of business		2.3
Capital gains on shares	**7.0**	0.1
Total	**7.0**	2.4

6. GROSS MARGIN

EUR mill.	**2005**	2004
Revenue	**1 542.6**	1 445.0
Raw material and consumables used	**1 012.5**	955.2
Change in inventories	**-17.1**	-3.7
Gross margin	**547.1**	493.6
Gross margin, % of revenue	**35.5**	34.2

7. EXPENSES OF WAGES, SALARIES AND EMPLOYEE BENEFITS

EUR mill.	**2005**	2004
Wages and salaries	**178.3**	166.6
Pension expenses	**26.6**	24.1
Other staff costs	**13.1**	11.5
Total	**218.0**	202.2

Information on management's employee benefits is given in note 30. Related party transactions.

8. DEPRECIATION AND IMPAIRMENT LOSSES

EUR mill.	**2005**	2004
Intangible rights	**3.3**	3.9
Buildings and constructions	**6.2**	5.6
Machinery and equipment	**18.2**	16.2
Modification and renovation expenses for leased premises	**8.1**	5.8
Total	**35.8**	31.5

9. OTHER OPERATING EXPENSES

EUR mill.	**2005**	2004
Site expenses	**97.1**	84.9
Marketing expenses	**41.2**	40.2
Goods handling expenses	**14.6**	15.3
Credit losses	**-0.5**	1.6
Voluntary indirect employee costs	**4.9**	3.8
Interest income from trade receivables	**-9.9**	-9.4
Other costs	**49.2**	46.1
Total	**196.7**	182.5

10. FINANCIAL INCOME AND EXPENSES

EUR mill.	**2005**	2004
Dividend income	**0.2**	0.8
Interest income	**1.2**	1.1
Gains on available-for-sale financial assets	**0.9**	0.7
Gains on financial assets at fair value through profit or loss	**0.0**	0.5
Fair value changes in financial assets at fair value through profit or loss	**0.5**	0.4
Interest expenses	**-3.9**	-3.5
Foreign exchange gains and losses (net)	**0.2**	-0.9
Total	**-0.9**	-0.9

11. INCOME TAXES

EUR mill.	**2005**	2004
Income taxes on ordinary operations for the financial year	**28.3**	25.0
Income taxes on ordinary operations from previous financial years	**-0.1**	0.3
Change in deferred tax liability / asset	**-2.2**	-5.6
Total	**26.0**	19.6

Reconciliation between taxes calculated according to income statement and the Group's tax expense at the Finnish tax rate of 26% (29% in 2004).

Profit before taxes	**102.8**	79.0
Income taxes at current tax rate	**26.7**	23.0
Income taxes on ordinary operations from previous financial years	**-0.1**	0.3
Differing tax rates of foreign subsidiaries	**0.7**	1.1
Non-deductible expenses	**0.8**	0.9
Effect of change in deferred tax assets	**-0.8**	-4.8
Effect of change in deferred tax liabilities	**-1.4**	-0.9
Taxes in income statement	**26.0**	19.6

Tax rates of Group companies by operating country		
Finland	**26**	26
Russia	**24**	24
Estonia	**26/0**	26/0
Latvia	**15**	15
Lithuania	**15**	15

12. EARNINGS PER SHARE

In calculating earnings per share adjusted for dilution, the dilutive effect resulting from conversion of all share options into shares is taken into account in the average weighted number of shares.
Share options have a dilutive effect when the subscription price of the options is lower than their fair value. The fair value of the share is based on the average price of the shares during the period.

	Jan. 1 - Dec. 31, 2005	Jan. 1 - Dec. 31, 2004
Net profit, EUR millions	**76.9**	59.3
Share issue-adjusted number of outstanding shares, weighted average, thousands	**53 350**	52 544
Earnings per share, EUR	**1.44**	1.13
Net profit, EUR millions	**76.9**	59.3
Share issue-adjusted number of outstanding shares, weighted average, thousands	**53 350**	52 544
Effect of share options	**779**	965
Share issue-adjusted number of shares, diluted weighted average, thousands	**54 129**	53 509
Earnings per share adjusted for effect of dilution	**1.42**	1.11

13. INTANGIBLE ASSETS

Intangible rights

EUR mill.	**2005**	2004
Acquisition cost Jan. 1	**22.5**	23.4
Increases Jan. 1-Dec. 31	**1.4**	2.7
Decreases Jan. 1-Dec. 31	**-1.8**	-3.7
Acquisition cost Dec. 31	**22.0**	22.5
Accumulated depreciation Jan. 1	**13.4**	13.0
Depreciation on reductions	**-1.7**	-3.6
Depreciation for the financial year	**3.3**	3.9
Accumulated depreciation Dec. 31	**14.9**	13.4
Book value Dec. 31	**7.1**	9.1

Goodwill

EUR mill.	**2005**	2004
Acquisition cost Jan. 1	**0.5**	
Increases Jan. 1-Dec. 31		0.5
Acquisition cost Dec. 31	**0.5**	0.5
Book value Dec. 31	**0.5**	0.5

Intangible assets, total	**7.6**	9.6

Impairment testing of goodwill

Goodwill is allocated to the Stockmann Auto segment, which comprises a separate cash-generating unit.

EUR mill.	**2005**	2004
Stockmann Auto	**0.5**	0.5

In the impairment testing of the Stockmann Auto segment, the segment's recoverable amount has been defined based on value in use. Cash flow estimates are based on management-approved projections over a period of five years. The discount rate applied is 8.0 %, which has not changed from the previous year. Cash flows after the projection period approved by management have been extrapolated by using a steady 2 per cent growth rate for future years.

14. PROPERTY, PLANT AND EQUIPMENT

Land and water

EUR mill.	**2005**	2004
Acquisition cost Jan. 1	**22.5**	22.5
Decreases Jan. 1-Dec. 31	**-0.7**	
Acquisition cost Dec. 31	**21.8**	22.5
Book value Dec. 31	**21.8**	22.5

Buildings and constructions

EUR mill.	**2005**	2004
Acquisition cost Jan. 1	**200.6**	184.9
Translation difference +/-	**0.0**	-0.3
Increases Jan. 1-Dec. 31	**11.2**	16.0
Decreases Jan. 1-Dec. 31	**-6.0**	0.0
Acquisition cost Dec. 31	**205.9**	200.6
Accumulated depreciation Jan. 1	**57.4**	51.8
Translation difference +/-	**0.0**	0.0
Depreciation on reductions	**-3.2**	0.0
Depreciation for the financial year	**6.2**	5.6
Accumulated depreciation Dec. 31	**60.3**	57.4
Book value Dec. 31	**145.6**	143.3

Machinery and equipment

EUR mill.	**2005**	2004
Acquisition cost Jan. 1	**136.5**	135.0
Translation difference +/-	**0.0**	-0.2
Increases Jan. 1-Dec. 31	**22.0**	14.1
Decreases Jan. 1-Dec. 31	**-14.6**	-12.5
Acquisition cost Dec. 31	**143.9**	136.5
Accumulated depreciation Jan. 1	**78.6**	75.3
Translation difference +/-	**0.0**	-0.1
Depreciation on reductions	**-14.0**	-12.0
Depreciation for the financial year	**16.6**	15.4
Accumulated depreciation Dec. 31	**81.1**	78.6
Book value Dec. 31	**62.7**	57.8

Machinery and equipment, finance lease

EUR mill.	**2005**	2004
Acquisition cost Jan. 1	**2.7**	1.9
Increases Jan. 1-Dec. 31		0.8
Acquisition cost Dec. 31	**2.7**	2.7
Accumulated depreciation Jan. 1	**0.8**	
Depreciation for the financial year	**1.6**	0.8
Accumulated depreciation Dec. 31	**2.4**	0.8
Book value Dec. 31	**0.3**	1.9

Machinery and equipment, total	**63.0**	59.7

Notes to the consolidated financial statements

Modification and renovation expenses for leased premises

EUR mill.	2005	2004
Acquisition cost Jan. 1	**74.5**	44.5
Increases Jan. 1-Dec. 31	**15.7**	32.0
Decreases Jan. 1-Dec. 31	**-1.2**	-2.0
Acquisition cost Dec. 31	**89.0**	74.5
Accumulated depreciation Jan. 1	**24.5**	19.8
Depreciation on reductions	**-1.2**	-1.2
Depreciation for the financial year	**8.1**	5.8
Accumulated depreciation Dec. 31	**31.4**	24.5
Book value Dec. 31	**57.6**	50.0

Advance payments and construction in progress

EUR mill.	2005	2004
Acquisition cost Jan. 1	**8.2**	14.9
Translation difference +/-	**0.0**	-0.2
Increases Jan. 1-Dec. 31	**14.9**	8.1
Transfers between items	**-8.0**	-14.6
Acquisition cost Dec. 31	**15.0**	8.2
Book value Dec. 31	**15.0**	8.2

Property, plant and equipment, total	**303.1**	283.7

15. JOINT VENTURES

	Shareholding %	Shareholding %
SIA Stockmann Centrs, Riga (real-estate company)	**63.0**	63.0
Arabian Kiinteistö Oy, Helsinki	**51.3**	51.3
Arabian Liiketalo Oy, Helsinki	**12.0**	12.0
Kiinteistö Oy Tapiolan Säästötammi Fastighets Ab, Espoo	**37.8**	37.8
Kiinteistö Oy Raitinkartano, Espoo	**15.6**	15.6

The consolidated financial statements include joint venture's assets and liabilities, income and expenses corresponding to the Group's shareholding

Assets and liabilities of joint ventures

EUR mill.	2005	2004
Non-current assets	**30.3**	30.1
Current assets	**0.9**	1.0
Non-current liabilities	**13.4**	13.4
Current liabilities	**2.5**	2.7

Income and expenses of joint ventures

EUR mill.	2005	2004
Income	**2.1**	1.9
Expenses	**2.3**	2.0

16. AVAILABLE-FOR-SALE INVESTMENTS, 2005

EUR mill.	Available-for-sale shares, listed	Available-for-sale shares, unlisted	Total
Carrying value Jan. 1	**0.0**	6.6	6.6
Increases Jan. 1-Dec. 31		0.0	0.0
Decreases Jan. 1-Dec. 31	**0.0**	-0.6	-0.6
Changes in fair value			0.0
Carrying value Dec. 31	**0.0**	6.0	6.0

Proportion of current investments	**0.0**

AVAILABLE-FOR-SALE INVESTMENTS, 2004

EUR mill.	Available-for-sale shares, listed	Available-for-sale shares, unlisted	Total
Carrying value Jan. 1	**0.5**	6.6	7.2
Increases Jan. 1-Dec. 31	**0.0**		0.0
Decreases Jan. 1-Dec. 31	**-0.5**	0.0	-0.6
Changes in fair value	**0.0**		0.0
Carrying value Dec. 31	**0.0**	6.6	6.6

Proportion of current investments	**0.0**

Available-for-sale financial investments consist of listed and unlisted shares. Listed shares are measured at fair value applying the stock exchange prices at the balance sheet date. Unlisted shares are stated at cost because their fair values are not obtainable reliably.

17. NON-CURRENT RECEIVABLES, INTEREST-BEARING

EUR mill.	2005	2004
Hire-purchase receivables	**3.3**	7.4
Interest-bearing trade receivables	**0.1**	0.1
Interest-bearing loan receivables	**0.1**	0.0
Other receivables	**0.8**	1.0
Non-current receivables, total	**4.3**	8.5

Maturities of hire-purchase receivables

EUR mill.	2005	2004
Within 1-5 years	**3.3**	7.4
Total	**3.3**	7.4

18. INVENTORIES

EUR mill.	2005	2004
Raw material and consumables	**211.6**	194.8
Advance payments for inventories	**0.4**	0.2
Total	**212.0**	195.0

The value of inventories has been lowered by EUR 2.2 million for unsaleable assets (2004: EUR 1.8 million).

19. CURRENT RECEIVABLES

EUR mill.	2005	2004
Interest-bearing trade receivables	**107.5**	108.1
Non-interest-bearing trade receivables	**67.0**	67.0
Receivables based on derivative contracts	**0.1**	0.8
Other receivables	**21.4**	15.7
Prepayments and accrued income	**10.7**	10.7
Tax assets		0.1
Available-for-sale investments		0.0
Current receivables, total	**206.6**	202.4

Interest-bearing trade receivables include one-time credits on mail order sales of EUR 59.4 million in 2005 and EUR 59.8 million in 2004. Because interest income on these receivables is included in the selling price, it is recorded in revenue instead of in interest income. Other interest-bearing trade receivables are the Stockmann loyal customer account, hire purchase and leasing receivables, for which interest income is recorded as a reduction in other expenses.

ESSENTIAL ITEMS IN PREPAYMENTS AND ACCRUED INCOME

EUR mill.	2005	2004
Deferred annual discounts	**3.4**	1.0
Periodized financial income and expenses	**0.1**	0.6
Deferred indirect employee costs	**1.5**	1.4
Other receivables	**5.6**	7.6
Total	**10.7**	10.7

20. CASH AND CASH EQUIVALENTS

EUR mill.	2005	2004
Cash on hand and at banks	**18.1**	12.7
Marketable securities	**0.2**	28.7
Total	**18.4**	41.4

21. EQUITY

Share capital and share premium fund EUR mill.	Entered in trade register	Number of shares	Share capital	Share premium fund	Total
Share capital at Jan. 1, 2004		52 629 341	105.3	147.1	252.4
Subscriptions with key employee share options 1997	2.4.	20 300	0.0	0.2	0.3
Subscriptions with Loyal Customer options	30.6.	597 118	1.2	5.3	6.5
Subscriptions with Loyal Customer options	30.8.	3 151	0.0		0.0
Subscriptions with key employee share options 2000	30.12.	170 150	0.3	2.3	2.6
Subscriptions with key employee share options 2000		4 900	0.0	0.1	0.1
Capital gain of treasury shares transferred deducted with tax liability				0.0	0.0
Share issue expenses				-0.2	-0.2
Share capital, Dec. 31, 2004		53 424 960	106.8	154.8	261.6
Subscriptions with Loyal Customer options					
Subscriptions with key employee share options 2000	16.3.	(4900)	0.0		0.0
Subscriptions with key employee share options 2000	20.5.	48 000	0.1	0.6	0.7
Subscriptions with Loyal Customer options	29.6.	343 902	0.7	2.3	3.0
Subscriptions with key employee share options 2000	29.6.	30 850	0.1	0.4	0.5
Subscriptions with key employee share options 2000	26.8.	148 780	0.3	2.0	2.3
Subscriptions with key employee share options 2000	6.10.	183 300	0.4	2.4	2.7
Subscriptions with key employee share options 2000	18.11.	90 450	0.2	1.2	1.4
Subscriptions with key employee share options 2000	29.12.	189 450	0.4	2.5	2.9
Subscriptions with key employee share options 2000 *		23 350	0.0	0.3	0.4
Capital gain of treasury shares transferred deducted with tax liability				0.1	0.1
Share issue expenses				-0.1	-0.1
Share capital at Dec. 31, 2005		54 483 042	109.0	166.5	275.5
Treasury shares in the company's possession		396 876			
Acquisition cost, EUR million		6.0			

*According to the terms of subscription entitled to dividend for the 2005 financial year

Total number of shares at Dec. 31, 2005, registered	54 459 692
The shares are divided into:	
Series A shares	24 564 243
Series B shares	29 895 449

Changes in share options	2005 Number of Options	Subscription price	Actual value as weighted average	2004 Number of Options	Subscription price	Actual value as weighted average
Key employee share options 1997						
1.1.				20 300		
Realized				20 300	13,21	18,59
31.12.				0		
Loyal customer options						
1.1.	**775 067**			1 375 336		
Realized	**343 902**	**8,81**	**29,44**	600 269	10,81	19,26
Expired	**431 165**	**8,81**				
31.12.	**0**			775 067		
Key employee share options 2000 Series A						
1.1.	**528 150**			625 000		
Realized	**204 500**	**13,95**	**31,58**	96 850	14,95	22,15
31.12.	**323 650**			528 150		
Key employee share options 2000 Series B						
1.1.	**546 800**			625 000		
Realized	**155 930**	**14,95**	**31,90**	78 200	15,95	21,92
31.12.	**390 870**			546 800		
Key employee share options 2000 Series C						
1.1.	**1 250 000**			1 250 000		
Realized	**353 750**	**15,95**	**31,93**			
31.12.	**896 250**			1 250 000		

Subscription price Series A 31.12.2005	**13,95**
Subscription price Series B 31.12.2005	**14,95**
Subscription price Series C 31.12.2005	**15,95**

Notes to the consolidated financial statements

Maximum and minimum share capital
The minimum share capital of Stockmann plc according to the Articles of Association is EUR 75.0 million and the maximum share capital is EUR 300.0 million. The par value of the shares is EUR 2.00 per share. All the shares issued have been fully paid in.

Voting rights differences between Series A and B shares
Each Series A share confers the right to cast ten (10) votes at general meetings and each Series B share one (1) vote.

Conversion of Shares
A Series A share can be converted to a Series B share upon a demand of the shareholder providing the conversion can be carried out within the minimum and maximum amounts of the share series. A written demand concerning conversion of the company's shares must be made to the company's Board of Directors in the manner specified in the Articles of Association.

Pre-emptive purchase obligation
A shareholder whose proportion of all the company's shares or the votes conferred by the shares either alone or together with other shareholders reaches or exceeds 33 1/3 per cent or 50 per cent is obligated to exercise pre-emption upon a demand of the other shareholders, in the manner specified in the Articles of Association.

Key employee share options 1997

In 1997 an issue of bonds with warrants was offered for subscription by key employees belonging to the senior or middle management of Stockmann or its subsidiaries and the related option warrants were listed on the Main List of the Helsinki Stock Exchange. There were a total of 360 000 share options. Each share option entitled its holder to subscribe for 3.5 Stockmann plc Series B shares. In January 2004, a total of 20 300 shares were subscribed for with the warrants. The subscription price was EUR 13.21 per share. The subscription price was based on the weighted average price of the Series B share on the Helsinki Stock Exchange, during the period specified in the option programme, less dividends paid out before the end of the subscription period. The subscription period for the options ended on December 31, 2004, and a total of 1 260 000 Series B shares were subscribed for with the option warrants.

Key employee share options 2000

In 2000, a total of 2 500 000 share options were granted to key employees belonging to the senior and middle management of Stockmann or its subsidiaries. Option A can be exercised to subscribe for 625 000 Stockmann Series B shares at a price of EUR 20 per share, option B to subscribe for 625 000 Series B shares at a price of EUR 21 per share and option C to subscribe for 1 250 000 Series B shares at a price of EUR 22 per share. The subscription prices with the share options are based on the weighted average price of the shares on the Helsinki Stock Exchange during the period specified in the option programme. The subscription price of the share will be reduced by the amount of the cash dividend payout per share after April 11, 2000, and before the share subscription as determined on the record date for each dividend payout. The subscription periods for the shares are as follows: A, April 1, 2003 - April 1, 2007; B, April 1, 2004 - April 1, 2007, and C, April 1, 2005 - April 1, 2007. The subscription prices, after the dividend payout proposed by the Board of Directors for the 2005 financial year, is EUR 12.85 with option A, EUR 13.85 with option B and EUR 14.85 with option C. The share options are traded on the Helsinki Stock Exchange.

Loyal Customer share options

In spring 2000, 1 382 524 Stockmann plc Loyal Customer share options were subscribed for. During the share subscription period in 2004, a total of 600 269 Series B shares at a price of EUR 10.81 per share were subscribed for on the basis of the options, and during the share subscription period in 2005, subscriptions were made for 343 902 Series B shares at a price of EUR 8.81 per share.
The subscription prices with the share options are based on the weighted average price of the shares on the Helsinki Stock Exchange during the period specified in the option programme. The subscription price of the share was reduced by the amount of the cash dividend payout per share after April 1, 1999, and before the share subscription. The subscription period with Loyal Customer options ended on May 31, 2005, and they were exercised to subscribe for a total of 950 835 Series B shares.

Other funds

EUR mill.	2005	2004
Available-for-sale investments		0.6
Reserve fund	**0.2**	0.2
Other funds	**43.9**	43.8
Total	**44.1**	44.6

The reserve fund contains a transferred proportion of non-restricted shareholders' equity in compliance with local regulations. The other funds comprise non-restricted shareholders' equity, which is distributable equity, in accordance with a resolution of the Annual General Meeting.

Translation differences

The translation differences fund comprises the translation differences on equity that have arisen in consolidating the financial statements of foreign subsidiaries.

Dividends

After the balance sheet date, the Board of Directors proposed on February 8, 2006 to pay out a dividend of EUR 1.10 per share.

Distributable equity

EUR mill.	2005	2004
Other funds	**43.9**	43.8
Retained earnings	**108.8**	102.5
Proportion of cumulative depreciation difference and provisions recorded in equity	**-64.5**	-63.8
Net profit	**76.9**	59.3
Distributable equity	**165.1**	141.8

Distributable equity in parent company

EUR mill.	2005	2004
	166.5	152.1

Share-based payment

The Group has a share option scheme, key employee share options 2000, for which the options were granted prior to November 7, 2002, and which vested prior to January 1, 2005. Accordingly, IFRS 2 does not cause changes in the accounting treatment of the share option scheme. Similarly, IFRS 2 does not affect the treatment of the share-based bonus scheme for Group management because the shares will be transferred to the recipients as soon as the specified criteria have been met.

22. NON-CURRENT LIABILITIES

Non-current liabilities, interest-bearing

EUR mill.	2005	2004
Share of liabilities for joint ventures	**13.4**	13.3
Finance lease liabilities	**0.3**	1.9
Total	**13.7**	15.3

Non-current liabilities fall due as follows EUR mill.	Loans from financial institutions	Finance lease liabilities	Other loans	Total
Repayments				
2006		0.3		0.3
2008	13.1			13.1
2010+			0.3	0.3
	13.1	0.3	0.3	13.7
Current proportion of non-current liabilities				0.0
Non-current interest-bearing liabilities				13.7

Non-current liabilities by currencies

EUR mill.	2005	2004
EUR	**13.7**	2.2
LVL		13.1
Total	**13.7**	15.3

23. CURRENT LIABILITIES

Current liabilities, interest-bearing

EUR mill.	2005	2004
Loans from financial institutions, repayment instalment		35.0
Commercial paper loans	**33.5**	
Loans from the staff in the form of payroll office deposits		15.8
Other interest-bearing liabilities	**0.1**	2.0
Total	**33.6**	52.7

All current interest-bearing liabilities are in euros.

The Group has committed credit facilities to a total of EUR 100 million, falling due in 2010. These credit facilities were totally unused at December 31, 2005.

The fair value of liabilities is equal to book value because the liabilities are mainly current and interest rates are floating.

Finance lease
Minimum lease payments

EUR mill.	2005	2004
Within one year	**0.3**	1.6
Within 1-5 years		0.3
Minimum lease payments, total	**0.3**	1.9

Present value of minimum lease payments

EUR mill.	2005	2004
Within one year	**0.3**	1.5
Within 1-5 years		0.3
Present value of minimum lease payments, total	**0.3**	1.8
Financing expenses accruing in future	**0.0**	0.1

Notes to the consolidated financial statements

Reconciliation of deferred taxes and deffered tax assets

24. Deferred tax assets and deferred tax liabilities

Changes in deferred taxes during 2005:

EUR mill.	Jan. 1, 2005	Recorded in income statement	Recorded in equity	Dec. 31, 2005
Deferred tax asset				
Confirmed losses	1.6	1.6		3.2
Measurement of derivatives at fair value	0.1	-0.1		
Measurement of other financial instruments at fair value	0.1	-0.1		
Other periodization differences	0.3	0.0		0.3
Total	2.1	1.4		3.5
Deferred tax liabilities				
Cumulative depreciation differences	17.2	0.2		17.4
Replacement provision	5.2			5.2
Due to difference between carrying value and taxation values of prop., plant and equip.	6.6	-1.0		5.6
Measurement of derivatives at fair value	0.2	0.0	-0.2	0.0
Other periodization differences	0.0		0.0	0.0
Yhteensä	29.2	-0.8	-0.2	28.2

Changes in deferred taxes during 2004:

EUR mill.	Jan. 1, 2004	Recorded in income statement	Recorded in equity	Dec. 31, 2004
Deferred tax asset				
Confirmed losses	0.7	0.9		1.6
Measurement of derivatives at fair value	0.3	-0.1		0.1
Measurement of other financial instruments at fair value	0.1	0.0		0.1
Other periodization differences	0.1	0.1		0.3
Total	1.2	0.9		2.1
Deferred tax liabilities				
Cumulative depreciation differences	19.2	-2.0		17.2
Replacement provision	5.8	-0.6		5.2
Due to difference between carrying value and taxation values of prop., plant and equip.	8.7	-2.1		6.6
Measurement of derivatives at fair value			0.2	0.2
Measurement of other financial instruments at fair value	0.1		-0.1	0.0
Total	33.9	-4.7	0.1	29.2

Current liabilities, non-interest-bearing

EUR mill.	2005	2004
Trade payables	**90.1**	106.7
Other current liabilities	**40.4**	28.2
Accruals and prepaid income	**45.0**	41.0
Total	**175.5**	175.9

Material items in accruals and prepaid income

EUR mill.	2005	2004
Periodized staff costs	**36.8**	32.4
Periodized interest expenses	**0.1**	0.9
Periodization of mail-order returns	**0.7**	1.5
Other accruals and prepaid income	**7.4**	6.2
Total	**45.0**	41.0

25. OTHER LEASE AGREEMENTS

The Group as lessee

Minimum payments on the basis of binding lease agreements on commercial premises

EUR mill.	2005	2004
Within one year	**66.0**	59.3
Within 1-5 years	**205.0**	201.6
In five years or more	**178.5**	195.9
Total	**449.5**	456.8

26. CONTINGENT LIABILITIES

EUR mill.	2005	2004
Security pledged on behalf of the company		
Mortgages given	**1.7**	1.7
Securities pledged	**0.1**	0.2
Total	**1.7**	1.9
Lease payments		
Within one year	**1.7**	3.0
Within 1-5 years	**0.6**	0.8
Total	**2.3**	3.9
Other liabilities of the company		
Repurchased liabilities for transferred lease and hire-purchase agreements	**13.3**	20.6
Total	**13.3**	20.6
Liabilities, total		
Mortgages	**1.7**	1.7
Pledges	**0.1**	0.2
Other liabilities	**15.5**	24.4
Total	**17.3**	26.3

27. PENSION LIABILITIES

The pension liabilities of Group companies are insured with external pension insurance companies.
Foreign subsidiaries have arranged the pension plans for their personnel in accordance with local legislation. The pension liabilities are covered in full.

28. FAIR VALUES OF DERIVATIVE CONTRACTS

EUR mill.	**2005** Positive fair values	**2005** Negative fair values	**2005** Net fair values
Currency forwards 1)	0.0	-0.2	-0.2
Total	0.0	-0.2	-0.2

EUR mill.	2004 Positive fair values	2004 Negative fair values	2004 Net fair values
Currency forwards 1)	2.6	-1.5	1.0
Interest rate swaps		-0.5	-0.5
Total	2.6	-2.0	0.6

The fair values of currency forwards are based on forward prices at the balance sheet date. Interest rate swaps are measured at the present value of future cash flows.

1) The net fair value of currency forward contracts taken out to hedge future cash flows was EUR 0 million at December 31, 2005 (December 31, 2004: EUR 0.8 million) and is stated in the Fair value reserve under equity net of tax liability: EUR 0 million (December 31, 2004: EUR 0.6 million).

29. NOMINAL VALUES OF DERIVATIVE CONTRACTS

EUR mill.	2005	2004
Nominal values		
Currency forwards 1)	10.4	86.9
Interest rate swaps	0.0	35.0
Total	10.4	121.9

1) The nominal value at December 31, 2005, of currency forward contracts taken out to hedge future cash flows was EUR 0.0 million (December 31, 2004: EUR 68.5 million).

30. RELATED PARTY TRANSACTIONS

The relationships between the company's parent company and subsidiaries are shown on Page 83.

The following transactions were carried out with related parties:

Management's employee benefits

EUR mill.	2005	2004
Salaries and short-term employee benefits		
Chief executive officer	**0.6**	0.4
Executive vice president	**0.5**	0.2
Other members of the Management Committee	**1.1**	1.0
Emoluments to the members of the Board	**0.3**	0.3
Total	**2.5**	1.9

The emoluments paid to the chairman of the Board of Directors were EUR 63 500 (EUR 62 500), to the vice chairman EUR 43 500 (EUR 42 500) and to the other members of the Board EUR 33 000 (EUR 32 000) each.

Key employee share options 2000
At December 31, 2005, Group management held 393 350 (At Dec.31, 2004, 421 500) granted share options of which 393 350 were exercisable (at the end of 2004: 177 500 share options were exercisable).

Management's share-based bonus scheme
On April 24, 2003, the Board of Directors approved a long-term share-based bonus scheme as a supplement to the annual incentives for the members of the Group's Management Committee. The scheme is divided into two-year periods and extends to the end of 2006. The payment of equity bonuses under the scheme is tied to the achievement of the profitability trends set out in the Group's long-term strategy, the benchmarks of which are both the Group's profit before taxes, excluding other operating income, and the trend in the Group's return on capital employed. Achievement of the share bonus targets is estimated for each two-year period. In 2005, on the basis of meeting the aggregate targets for 2003-2004, all the members of the Management Committee were granted a total of 5 767 Stockmann Series B shares as well as a cash payment of EUR 208 823.07. The maximum incentive payable in 2006, on the basis of meeting the aggregate targets for 2004-2005, for all the members of the Management Committee, is a maximum of 13 437 Stockmann Series B shares as well as 1.5 times the value of the shares in cash. If the lower limits set for the target period are not exceeded for both target criteria, no share-based bonus will be paid.

Management's pension commitments
The contractually agreed pensionable age of the managing directors of Group companies who are members of senior management is 60-63 years. Members of the Group Management Committee are entitled to retire at the age of 60-63 years. The company has prepared to meet these commitments by making annual payments.

Other related-party transactions

EUR mill.	2005	2004
Leases paid to companies controlled by members of the Board of Directors	0.8	0.8

The leases paid are market rental rates and the lease agreements do not contain other exceptional terms and conditions.

31. EVENTS AFTER THE CLOSING DATE

Disclosures relating to non-current assets held for sale

The transaction involving the Stockmann Auto segment is presented in accordance with IFRS 5.12 because at December 31, 2005, Stockmann did not know for certain about the principals' permits, which were a condition for completing the transaction.

On January 20, 2006, Stockmann sold the entire shares outstanding in its subsidiary Stockman Auto Oy Ab to Veho Group Oy Ab; Stockmann Auto's Volkswagen-Audi business, including its real estate properties, to Kesko Corporation's subsidiary VV-Auto Oy and to its retail company Helsingin VV-Auto Oy as well as the Ford dealerships in Turku and Espoo to the SOK-owned Maan Auto Group for a total purchase price of about EUR 70 million. The transaction comprises the entire Stockmann Auto segment. Title to the Stockmann Auto Oy Ab and the divested business will pass to the buyers on March 1, 2006, subject to approval of the transaction by the competition authorities.

Stockmann Auto has nine outlets in the Greater Helsinki area as well as an outlet in Turku, Tampere and Oulu. Stockmann Auto Oy Ab was formed on January 1, 2005, by incorporating the Stockmann Group's vehicle business and the properties used in its operations as an independent company. The Stockman Auto segment had sales in 2005 of EUR 414.1 million (EUR 437.1 million), or about 22 per cent of the Stockmann Group's sales. The segment's operating profit was EUR 3.1 million (EUR 7.0 million), its assets EUR 98.2 million (EUR 113.1 million), its liabilities EUR 57.0 million (EUR 47.9 million) and it had a return on capital employed of 4.8 per cent (12.4 per cent). Impairment losses have not been recorded on the assets of the Stockmann Auto segment.

A major factor behind the transaction was a reassessment of the Group's strategy in respect of the changed operating environment in the motor trade as a result of the abolishment of the European Union's Block Exemption regulation. Henceforth, Stockmann will focus on its core businesses: the Department Store Division, Seppälä and Hobby Hall. The freed-up capital will be used to expand operations in Finland, Russia and the Baltic countries.

If the transaction is completed according to plans, the Stockmann Auto segment's business will be carried on for the account of Stockmann during January 1-February 28, 2006, and it will be reported under Discontinued Operations.

Sale of the subsidiary that carries on the Zara business in Russia

Stockmann sold its subsidiary that carries on the Zara business in Russia to the owner of the trademark, the Inditex Group of Spain, under an agreement signed on January 31, 2006. In Finland, Stockmann will continue the Zara business. In 2002 Stockmann and Inditex concluded an agreement on the basis of which Stockmann received, up to 2010, franchising rights to trade under the Zara brand in Russia. By the end of 2005 Stockmann had opened seven Zara stores in Russia. Sales generated by Stockmann's Zara stores in Russia amounted to just over EUR 46 million in 2005. Under the agreement that has been made, the business in Russia will be carried on for the account of Inditex as from January 1, 2006 and the final agreement will be made by May 31, 2006, providing that the State Antimonopoly Committee of the Russian Federation approves the transaction. The purchase price is about EUR 41.5 million.

32. TRANSITION TO IFRS REPORTING

The adoption of IFRS has changed the financial statement formats and calculations, the notes to the financial statements as well as the accounting policies compared with previous financial statements.

Prior to the introduction of IFRS, Stockmann's financial statements have been prepared in accordance with Finnish Accounting Standards (FAS). The reconciliation statements and explanations presented below set forth the differences between IFRS reporting and FAS reporting for the 2004 financial year as well as from the date of adopting IFRS, January 1, 2004. The comparative figures presented here in accordance with FAS are consistent with the previously published financial statements.

The effects of adopting IFRS have also been presented in stock exchange releases which were published on February 15, 2005, in respect of full-year information and on April 18, 2005, for quarterly information.

During 2005, this information has been revised slightly in respect of tangible and intangible assets as well as depreciation and fixed costs

1) Property, plant and equipment

Measurement

Stockmann applies the cost model as defined in IAS 16 (Property, Plant and Equipment) when measuring property, plant and equipment. Contrary to the company's prior accounting practice, depreciation on the revaluation surplus of buildings is recorded over their useful lives in the IFRS financial statements. Deferred tax liabilities as required by IFRS have been recorded on the revaluations.

Finance lease agreements

Motor vehicles under lease agreements, used by Stockmann Auto as hire and demonstration cars have been recognised in the IFRS financial statements in accordance with IAS 17 (Leases) as assets and liabilities. According to the previous practice, these agreements were disclosed in the notes.

2) Investments

Treasury shares

In accordance with IAS 39 (Financial Instruments: Recognition and Measurement) the company's own shares held by it have not been recognised in the balance sheet. According to the previous practice treasury shares were disclosed in investments and in equity as an own fund.

Available-for-sale investments

In terms of IFRS, investments in listed companies are measured at fair value at balance sheet date in accordance with IAS 39 (Financial Instruments: Recognition and Measurement). The difference between the market value and book value is recognised in equity. Previously, investments in equity instruments were measured at no higher than acquisition cost.

3) Receivables

Hire-purchase agreements transferred to finance companies when financing customer motor vehicle purchases have been recognised in accordance with IAS 39 (Financial Instruments: Recognition and Measurement). Agreements where all economic risks, rewards and control have not been transferred to the transferee, are recognised in the IFRS balance sheet in receivables and debts. Under the previous reporting, these agreements were included in other commitments in the notes to the financial statements. The interest income on these agreements is recognised over the duration of the agreement, whereas previously it was recognised in total at the inception of the agreement. As from 1 January 2004, hire-purchase agreements have been recognised in accordance with IAS 39, in conjunction with the transitional provisions of IFRS 1.

4) Derivatives and hedge accounting

Derivatives are measured at fair value in accordance with IAS 39. Stockmann uses in its IFRS reporting IAS 39 compliant hedge accounting to hedge forecast foreign currency purchases and sales.

5) Deferred tax liabilities and assets

A deferred tax liability or asset is calculated on all temporary differences between the carrying amount of an asset or liability and its tax base in accordance with IAS 12 (Income Taxes). The largest temporary differences arise from the property, plant and equipment of foreign subsidiaries and revaluations included in the carrying amounts of buildings and property. In terms of the previous accounting practice, no deferred tax assets and liabilities were calculated on these differences

6) Translation differences

Cumulative translation differences have been combined with retained earnings at the date of transition to IFRS (January 1, 2004), as permitted by IFRS 1.

7) The Finnish pension scheme (TEL)

The Finnish pension scheme (TEL) has been treated as a defined contribution plan under FAS. Under IFRS, the disability element of TEL is also treated as a defined contribution plan.

8) Financial statement presentation

Instead of being disclosed in finance income, as was the case under FAS, interest received on interest–bearing receivables is included in operating profit and disclosed in other income below gross margin in the Group's income statement. The change increases the Group's operating profit and decreases finance income respectively.

9) Segment reporting

The introduction of IFRS resulted in a change in the current segment reporting structure. The property unit, whose income consists mainly of intragroup rentals, was eliminated. In the IFRS reporting, property held by the group has been allocated to segments with business operations by including it in the assets of each segment. In the segment income statements, depreciation and other costs relating to the buildings will be reported instead of the previous internal rentals. Under IFRS, other operating income has been allocated to the segments, whereas under FAS they were reported at group level.

The identification of segments is based on the group structure and internal reporting. The primary or business segments are the Department Store Division, Stockmann Auto, Hobby Hall and Seppälä. The secondary or geographical segments are Finland, the Baltic states and Russia.

Notes to the consolidated financial statements

COMPARATIVE IFRS INFORMATION FOR 2004
EUR million

Balance Sheet, IFRS	Ref.	FAS Dec. 31, 2003	Adjustments	IFRS Jan. 1, 2004	FAS Dec. 31, 2004	Adjustments	IFRS Dec. 31, 2004
ASSETS							
Non-current assets	1.2						
Intangible assets		10.4		10.4	9.6		9.6
Property, plant and equipment		250.2	6.3	256.5	277.5	6.1	283.7
Long-term investments		28.7	-21.6	7.0	28.0	-21.4	6.6
Long-term receivables, interest-bearing		0.9		0.9	1.1	7.4	8.5
Deferred tax assets	5	0.8	0.3	1.2	1.8	0.3	2.0
Total non-current assets		290.9	-14.9	275.8	318.1	-7.7	310.3
Current assets	3.4						
Inventories		191.3		191.3	195.0		195.0
Interest-bearing receivables		110.5		110.5	108.1		108.1
Non interest-bearing receivables		86.8		86.8	87.9	6.3	94.2
Available-for-sale investments			1.0	1.0		0.0	0.0
Securities held in current assets		101.8		101.8	28.7		28.7
Cash and cash equivalents		19.5		19.5	12.7		12.7
Total current assets		509.9	1.0	511.0	432.4	6.4	438.7
Total assets		800.8	-14.0	786.8	750.4	-1.3	749.0
EQUITY AND LIABILITIES	6						
Equity		547.1	-25.0	522.0	491.7	-23.8	467.9
Minority interest		0.0		0.0	0.0		0.0
Total equity		547.1	-25.0	522.0	491.7	-23.8	467.9
Long-term borrowings, interest-bearing		48.6	2.3	50.9	13.1	2.2	15.3
Deferred tax liabilities		26.0	7.8	33.9	22.6	6.6	29.2
Current liabilities	5						
Interest-bearing short-term debt	1	16.3		16.3	52.7		52.7
Non interest-bearing short-term debt		162.7	0.9	163.8	170.3	13.6	183.8
Total current liabilities		179.0	0.9	180.1	223.0	13.6	236.6
Total equity and liabilities		800.8	-14.0	786.8	750.4	-1.5	749.0

COMPARATIVE IFRS INFORMATION FOR 2004

Income statement, Group, EUR millions	FAS 1-12/2004	Adjustments	IFRS 1-12/2004
Revenue	1 445.0	0.0	1 445.0
Other operating income	3.1	-0.7	2.4
Materials and consumables	-951.5	0.0	-951.5
Salaries and employee benefits	-202.2	0.0	-202.2
Depreciation	-30.2	-1.3	-31.5
Other operating expenses	-192.9	10.4	-182.5
Operating profit	71.4	8.4	79.8
Finance income and costs	7.8	-8.6	-0.9
Profit before tax	79.1	-0.3	78.9
Income taxes	-20.9	1.4	-19.6
Profit for the period	58.2	1.1	59.3
Minority interest	0.0	0.0	0.0
Net profit for the period	58.2	1.1	59.3

Key figures	Dec. 31, 2004		Dec. 31, 2004
Earnings per share, EUR	1.11		1.13
Earnings per share, diluted, EUR	1.09		1.11
Total assets	750.4		749.0
Return on capital employed %	14.3		14.8
Return on equity %	11.2		12.2
Equity ratio %	65.5		62.5

9. SEGMENT INFORMATION

Operating profit, EUR millions	FAS	Adjustments	IFRS
Department Store Division	53.0	10.8	63.7
Stockmann Auto	4.2	2.9	7.0
Hobby Hall	-3.1	0.3	-2.9
Seppälä	16.4	0.8	17.1
Eliminations	-7.6	5.9	-1.7
Unallocated	8.6	-12.1	-3.5
Group	71.4	8.4	79.8

Operating profit, EUR millions	FAS	Adjustments	IFRS
Finland	69.9	7.0	76.9
Baltic Rim	-1.2	1.4	0.2
Russia	2.7	0.0	2.7
Group	71.4	8.4	79.8

Notes to the consolidated financial statements

COMPARATIVE IFRS INFORMATION FOR 2004

Reconciliation of net profit in the comparative period

EUR millions	1-12/2004
Net profit for the period before minority interest according to FAS	58.2
Effects of adopting IFRS	
Depreciation	-0.5
Costs of share issue	0.2
Financial income	-0.3
Financial instruments	0.4
Income taxes	1.4
IFRS adjustments, total	1.2
Net profit for the period acoording to IFRS	59.3
Attributable to	
Equity holders of the parent	59.3
Minority interest	0.0

Reconciliation of shareholders' equity in the comparative period

EUR millions	Dec. 31, 2003	Dec. 31, 2004
Total equity according to FAS	547.1	491.7
Effects of adopting IFRS		
Depreciation	-10.8	-11.3
Financial income		-0.3
Financial instruments	-0.6	0.2
Income taxes	-7.5	-6.2
Fund for own shares	-6.2	-6.1
IFRS adjustments, total	-25.1	-23.8
Total equity according to IFRS	522.0	467.9
Attributable to		
Equity holders of the parent	522.0	467.9
Minority interest	0.0	0.0

PARENT COMPANY INCOME STATEMENT, FAS

	Ref.	Jan.1- Dec. 31, 2005 EUR mill.	% of rev.	Jan.1- Dec. 31, 2004 EUR mill.	% of rev.
REVENUE		**647.3**	100.0	970.6	100.0
Other operating income	1	**17.1**	2.6	12.1	1.2
Raw materials and services					
Raw materials and consumables:					
Purchases during the financial year		**388.0**		666.7	
Variation in stocks, increase (-), decrease (+)		**-2.9**		0.6	
Raw materials and services, total		**385.1**	59.5	667.3	68.7
Staff expenses	2	**128.0**	19.8	147.1	15.2
Depreciation and reduction in value	3	**12.4**	1.9	14.4	1.5
Other operating expenses	4	**87.1**	13.5	96.4	9.9
		612.7	94.6	925.2	95.3
OPERATING PROFIT		**51.7**	8.0	57.5	5.9
Financial income and expenses	5	**14.1**	2.2	9.2	0.9
PROFIT BEFORE EXTRAORDINARY ITEMS		**65.8**	10.2	66.7	6.9
Extraordinary items	6				
Extraordinary income		**27.7**		14.0	
Extraordinary expenses		**-4.1**		-7.4	
Extraordinary items, total		**23.6**	3.6	6.6	0.7
PROFIT BEFORE APPROPRIATIONS AND TAXES		**89.4**	13.8	73.2	7.5
Appropriations	7	**1.4**	0.2	2.8	0.3
Income taxes					
For the financial year		**23.5**		22.1	
For previous financial years		**0.1**		0.0	
Income taxes, total		**23.6**	3.6	22.1	2.3
PROFIT FOR THE FINANCIAL YEAR		**67.2**	10.4	54.0	5.6

Parent company balance sheet, FAS

PARENT COMPANY BALANCE SHEET, FAS

ASSETS	Ref.	Dec. 31, 2005 EUR mill.	Dec. 31, 2004 EUR mill.
NON-CURRENT ASSETS			
Intangible assets	9		
Intangible rights		**3.3**	4.6
Goodwill		**0.0**	0.0
Advance payments and projects in progress		**1.1**	0.6
Intangible assets, total		**4.4**	5.2
Tangible assets	10		
Land and water		**11.5**	11.5
Buildings and constructions		**114.6**	113.0
Machinery and equipment		**14.6**	21.5
Modification and renovation expenses for leased premises		**10.8**	11.4
Other tangible assets		**0.1**	0.1
Advance payments and construction in progress		**9.1**	7.0
Tangible assets, total		**160.7**	164.5
Investments	11		
Holdings in Group undertakings		**77.9**	47.7
Own shares			6.1
Other shares and participations		**17.3**	17.9
Investments, total		**95.2**	71.7
NON-CURRENT ASSETS, TOTAL		**260.2**	241.4
CURRENT ASSETS			
Stocks			
Raw materials and consumables		**79.6**	124.1
Stocks, total		**79.6**	124.1
Non-current debtors	12		
Trade debtors			0.1
Amounts owed by Group undertakings		**39.7**	34.0
Loan receivables		**0.0**	0.0
Non-current debtors, total		**39.7**	34.1
Deferred tax asset			
Current debtors	13		
Trade debtors		**91.4**	103.2
Amounts owed by Group undertakings		**186.2**	161.5
Other debtors		**1.4**	3.5
Prepayments and accrued income		**4.7**	7.7
Current debtors, total		**283.7**	275.9
Debtors, total		**323.3**	310.0
Cash and cash equivalents	14	**5.9**	31.4
CURRENT ASSETS, TOTAL		**408.9**	465.5
TOTAL		**669.1**	706.9

PARENT COMPANY BALANCE SHEET, FAS

LIABILITIES	Ref.	**Dec. 31, 2005 EUR mill.**	Dec. 31, 2004 EUR mill.
EQUITY	15-16		
Share capital		**109.0**	106.8
Premium fund		**166.8**	155.0
Fund for own shares			6.1
Other funds		**43.7**	43.7
Retained earnings		**55.6**	54.4
Net profit for the financial year		**67.2**	54.0
EQUITY, TOTAL		**442.3**	420.1
ACCUMULATED APPROPRIATIONS	17	**69.6**	76.1
CREDITORS	18-19		
Current creditors			
Loans from credit institutions			35.0
Trade creditors		**44.5**	73.2
Amounts owed to Group undertakings		**27.1**	30.0
Other creditors		**57.9**	39.0
Accruals and prepaid income		**27.9**	33.4
Current creditors, total		**157.3**	210.7
CREDITORS, TOTAL		**157.3**	210.7
TOTAL		**669.1**	706.9

Parent company cash flow statement

PARENT COMPANY CASH FLOW STATEMENT	2005 EUR millions	2004 EUR millions
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the financial year	**67.2**	54.0
Adjustments:		
Deprecation and appropriations	**11.1**	11.7
Other operating income	**-30.5**	-7.9
Interest paid and other financial expenses	**4.9**	5.6
Interest received	**-18.8**	-14.1
Taxes paid	**23.6**	22.1
Changes in working capital:		
Change in trade and other receivables	**-1.5**	3.2
Change in inventories	**-2.9**	0.6
Change in trade payables and other liabilities	**8.8**	-3.8
Interest paid	**-5.2**	-5.4
Interest received	**18.4**	14.5
Taxes paid	**-27.3**	-23.4
NET CASH FROM OPERATING ACTIVITIES	**47.7**	57.1
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in tangible and intangible assets	**-21.9**	-11.4
Cash from tangible assets	**11.7**	1.5
Capital expenditures on other investments		-2.9
Cash from other investments	**1.5**	4.9
Dividends received	**0.1**	0.5
NET CASH USED IN INVESTING ACTIVITIES	**-8.6**	-7.4
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in loans granted, increase (-), decrease (+)	**-38.3**	-43.0
Proceeds from issue of share capital	**13.9**	9.5
Change in short-term loans, increase (+), decrease (-)	**13.0**	24.6
Repayments of long-term loans	**-35.0**	0.0
Dividends paid	**-53.2**	-123.0
Extraordinary items	**37.6**	4.3
NET CASH USED IN FINANCING ACTIVITIES	**-61.9**	-127.6
Change in cash and cash equivalents	**-22.8**	**-77.8**
Cash and cash equivalents at start of the financial year	**31.4**	109.2
Transferred to Stockmann Auto Oy Ab through a transfer of operations on January 1, 2005	**-2.6**	
Cash and cash equivalents at end of the financial year	**5.9**	31.4

Notes to the parent company financial statements

ACCOUNTING POLICY

General principles
Stockmann plc's annual accounts have been prepared in accordance with the regulations of the Finnish Accounting Act which came into force on December 31, 1997.

Transfer of operations
Stockmann's Vehicle Division was transferred 1.1.2005 from Stockmann through a transfer of operations to the parent company's wholly owned subsidiary Stockmann Auto Oy Ab. The figures of the Vehicle Division have been included in the comparative year's data.

Transactions in foreign currencies
Transactions in foreign currencies are recorded at the rates prevailing on the transaction date.

At the end of accounting period foreign currency debtors and creditors in the balance sheet are translated at the rates prevailing on the balance sheet date. Gains and losses on foreign exchange in financial operations are entered as net amounts under other financial income or other financial expenses.

Revenue
Revenue comprises sales income excluding indirect taxes, discounts granted and foreign exchange differences.

Other operating income
The items stated as other operating income are capital gains on the sale of non-current assets connected with business operations, compensation obtained from the sale of businesses as well as charges for services rendered to foreign subsidiaries.

Extraordinary income and expenses
The items stated as extraordinary income and expenses are non-recurring income and expenses that are not a part of ordinary operations.

Taxes
The direct taxes entered in the profit and loss account are the taxes corresponding to net profit for the financial year as well as rectifications of taxes for previous financial years.

Tangible and intangible assets and depreciation on them
Tangible and intangible assets are valued according to the original cost excluding planned depreciation. The balance sheet values furthermore include revaluations of land areas and buildings. Revaluations have been made during the period from 1950 to 1984 and are based on then estimates of real-estate valuers. Revaluations are not depreciated.

Planned depreciation is based on the original cost and the estimated economically useful life of intangible and tangible assets as follows:

- Intangible assets: 5 years
- Goodwill: 5 years
- Modification and renovation expenses for leased premisies: 5-10 years
- Buildings: 20-50 years
- Machinery and equipment: 4-12 years
- Data processing equipment: 3-5 years

Securities included in non-current assets are valued at acquisition cost or, if their market value has decreased permanently, at this lower value.

Current assets
Securities included in financial assets are valued at acquisition cost or, if their value is lower, at this lower value.

In the valuation of inventories the principle of lowest value has been used, i.e. the inventories have been entered in the balance sheet at the lowest of acquisition cost or a lower repurchase price or the probable market price. The value of inventories is determined using the FIFO method, the retail method or the weighted average cost method and it includes all the direct costs of the purchase.

Obligatory provisions
Expenditure to which the company has committed but which has not yet been realized, for example restructuring cost, is shown as obligatory provisions in the balance sheet. Expenses corresponding to the obligatory provisions are included in the income statement in a relevant group of expenses.

Appropriations
The appropriations comprise the depreciation difference and voluntary provisions.

Notes to the parent company financial statements

1. Other operating income

EUR mill.	2005	2004
Capital gains on divestments	**6.8**	2.9
Rental income from subsidiaries	**4.1**	3.8
Compensation for services to Group companies	**6.1**	5.4
Total	**17.1**	12.1

2. Staff expenses

EUR mill.	2005	2004
Salaries and emoluments paid to the CEO and his alternate	**1.1**	0.6
Salaries and emoluments paid to the Board of Directors	**0.3**	0.3
Other wages and salaries	**100.3**	117.7
Wages during sick leave	**3.4**	3.1
Pension expenses	**15.9**	18.1
Other staff costs	**6.9**	7.2
Total	**128.0**	147.1
Parent company staff, average	**4 939**	5 472

Management pension liabilities

The agreed retirement age for the parent company CEO is 60 years. Annual payments are made to provide for these commitments.

3. Depreciation and reduction in value

EUR mill.	2005	2004
Intangible rights	**1.6**	2.1
Goodwill	**0.0**	0.0
Modification and renovation expenses for leased premises	**1.6**	2.1
Buildings and constructions	**3.4**	3.5
Machinery and equipment	**5.8**	6.7
Total	**12.4**	14.4

4. Other operating expenses

EUR mill.	2005	2004
Site expenses	**49.2**	54.3
Marketing expenses	**11.3**	12.7
Goods handling expenses	**3.5**	5.0
Credit losses	**0.2**	0.0
Voluntary indirect employee costs	**2.2**	2.2
Other costs	**20.8**	22.3
Total	**87.1**	96.4

5. Financial income and expenses

EUR mill.	2005	2004
Dividend income	**0.1**	0.7
From interest-bearing trade debtors	**8.1**	9.2
Interest income	**0.9**	1.7
Interest income from Group undertakings	**3.5**	3.2
Capital gains on divestments	**0.9**	
Interest and other financial expenses for Group undertakings	**-4.0**	-0.1
Foreign exhange losses ang gains (net)	**4.2**	-3.1
Other interest and financial expenses paid to parties outside the Group	**0.3**	-2.5
Total	**14.1**	9.2

6. Extraordinary items

EUR mill.	2005	2004
Contributions from Group companies	**27.7**	14.0
Contributions to Group companies	**-4.1**	-7.4
Total	**23.6**	6.6

7. Appropriations

EUR mill.	2005	2004
Change in depreciation reserve		
Intangible rights	**0.1**	0.1
Modification and renovation expenses for leased premises	**0.2**	0.4
Buildings and constructions	**-1.2**	-0.3
Machinery and equipment	**2.3**	2.6
Total	**1.4**	2.8

Non-current assets

9. Intangible assets

EUR mill.	2005	2004
Intangible rights		
Acquisition cost Jan. 1	**11.8**	14.4
Increases Jan. 1-Dec. 31	**0.9**	0.9
Decreases Jan. 1-Dec. 31	**-2.7**	-3.5
Acquisition cost Dec. 31	**10.0**	11.8
Accumulated depreciation Jan. 1	**7.2**	8.7
Depreciation on reductions	**-2.2**	-3.5
Depreciation for the financial year	**1.6**	2.1
Accumulated depreciation Dec. 31	**6.7**	7.2
Book value Dec. 31	**3.3**	4.6

Goodwill

EUR mill.	2005	2004
Acquisition cost Jan. 1 and Dec. 31	**1.1**	1.1
Accumulated depreciation Jan. 1	**1.1**	1.1
Depreciation for the financial year	**0.0**	0.0
Accumulated depreciation Dec. 31	**1.1**	1.1
Book value Dec. 31	**0.0**	0.0

Advance payments and projects in progress

EUR mill.	2005	2004
Acquisition cost Jan. 1	**0.6**	2.1
Increases Jan. 1-Dec. 31	**1.1**	0.6
Transfers between items	**-0.6**	-2.1
Book value Dec. 31	**1.1**	0.6
Intangible assets, total	**4.4**	5.2

10. Tangible assets

EUR mill.	2005	2004
Land and water		
Acquisition cost Jan. 1 and Dec. 31	**5.6**	5.6
Revaluations Jan. 1 and Dec. 31	**5.9**	5.9
Book value Dec. 31	**11.5**	11.5

Buildings and constructions

EUR mill.	2005	2004
Acquisition cost Jan. 1	**124.7**	119.4
Increases Jan. 1-Dec. 31	**10.3**	5.3
Decreases Jan. 1-Dec. 31	**-7.6**	0.0
Acquisition cost Dec. 31	**127.4**	124.7
Accumulated depreciation Jan. 1	**38.2**	34.6
Depreciation on reductions	**-2.2**	0.0
Depreciation for the financial year	**3.4**	3.5
Accumulated depreciation Dec. 31	**39.3**	38.2
Revaluations Jan. 1 and Dec. 31	**26.5**	26.5
Book value Dec. 31	**114.6**	113.0

Machinery and equipment

EUR mill.	2005	2004
Acquisition cost Jan. 1	**61.5**	70.8
Increases Jan. 1-Dec. 31	**1.5**	1.7
Decreases Jan. 1-Dec. 31	**-14.6**	-11.0
Acquisition cost Dec. 31	**48.4**	61.5
Accumulated depreciation Jan. 1	**40.0**	43.9
Depreciation on reductions	**-12.0**	-10.6
Depreciation for the financial year	**5.8**	6.7
Accumulated depreciation Dec. 31	**33.9**	40.0
Book value Dec. 31	**14.6**	21.5

Modification and renovation expenses for leased premises

EUR mill.	2005	2004
Acquisition cost Jan. 1	**22.4**	20.8
Increases Jan. 1-Dec. 31	**3.5**	2.9
Decreases Jan. 1-Dec. 31	**-6.3**	-1.3
Acquisition cost Dec. 31	**19.7**	22.4
Accumulated depreciation Jan. 1	**11.0**	10.0
Depreciation on reductions	**-3.8**	-1.2
Depreciation for the financial year	**1.6**	2.1
Accumulated depreciation Dec. 31	**8.9**	11.0
Book value Dec. 31	**10.8**	11.4

Other tangible assets

EUR mill.	2005	2004
Acquisition cost Jan. 1	**0.1**	0.1
Decreases Jan. 1-Dec. 31	**0.0**	
Acquisition cost Dec. 31	**0.1**	0.1
Book value Dec. 31	**0.1**	0.1

Advance payments and construction in progress

EUR mill.	2005	2004
Acquisition cost Jan. 1	**7.0**	4.0
Increases Jan. 1-Dec. 31	**9.1**	7.0
Transfers between items	**-7.0**	-4.0
Acquisition cost Dec. 31	**9.1**	7.0
Book value Dec. 31	**9.1**	7.0

Tangible assets, total	**160.7**	164.5

Revaluations included in balance sheet values

EUR mill.	2005	2004
Land and water	**5.9**	5.9
Buildings	**26.5**	26.5
Total	**32.4**	32.4

Revaluations of real-estate properties have been made during the period from 1950 to 1984 and are based on then estimates of real-estate values.

11. Investments

EUR mill.	2005	2004
Holdings in Group undertakings		
Acquisition cost Jan. 1	**47.7**	49.8
Increases Jan. 1-Dec. 31	**39.7**	2.8
Decreases Jan. 1-Dec. 31	**-9.5**	-4.9
Book value Dec. 31	**77.9**	47.7

Own shares

EUR mill.	2005	2004
Acquisition cost Jan. 1	**6.1**	6.2
Decreases Jan. 1-Dec. 31	**-6.1**	-0.1
Book value Dec. 31	**0.0**	6.1

Other shares and participations

EUR mill.	2005	2004
Acquisition cost Jan. 1	**17.9**	18.3
Increases Jan. 1-Dec. 31		0.0
Decreases Jan. 1-Dec. 31	**-0.6**	-0.4
Book value Dec. 31	**17.3**	17.9

Investments, total	**95.2**	71.7

Debtors

12. Non-current debtors

EUR mill.	2005	2004
Interest-bearing trade debtors		0.1
Amounts owed by Group undertakings	**39.7**	34.0
Other debtors	**0.0**	0.0
Non-current debtors, total	**39.7**	34.1

13. Current debtors

EUR mill.	2005	2004
Interest-bearing trade debtors	**44.7**	59.8
Non-interest bearing trade debtors	**46.7**	43.4
Trade debtors, total	**91.4**	103.2
Interest-bearing loan receivables		
Amounts owed by Group undertakings	**186.2**	161.5
Other debtors	**1.4**	3.5
Prepayments and accrued income	**4.7**	7.7
Current debtors, total	**283.7**	275.9

Essential items in prepayments and accrued income

EUR mill.	2005	2004
Deferred annual discounts	**0.6**	1.0
Periodized financial income and expenses	**0.1**	0.6
Deferred indirect employee costs	**1.0**	1.3
Other receivables	**3.0**	4.8
Total	**4.7**	7.7

14. Cash and cash equivalents

EUR mill.	2005	2004
Cash in hand and at banks	**0.1**	25.9
Securities held in current assets	**5.8**	5.5
Total	**5.9**	31.4

Difference between cost and market value of securities held in current assets

Securities held in current assets consist primarily of publicly traded bonds and notes.

EUR mill.	2005	2004
Market value Dec. 31	**0.1**	25.9
Book value Dec. 31	**0.1**	25.9
Difference	**0.0**	0.0

15. Changes in equity

EUR mill.	2005	2004
Share capital		
Series A shares Jan. 1	**49.1**	49.5
Conversion from Series A to Series B		-0.3
Series A shares Dec. 31	**49.1**	49.1
Series B shares Jan. 1	**57.7**	55.8
Conversion from Series A to Series B		0.3
Subscriptions with options	**2.1**	1.6
Series B shares Dec. 31	**59.8**	57.7
Share capital, total	**109.0**	106.8
Premium fund Jan. 1	**155.0**	147.1
Subscriptions with options	**11.7**	7.9
Share bonus	**0.1**	
Premium fund Dec. 31	**166.8**	155.0
Fund for own shares Jan. 1	**6.1**	6.2
Share bonus	**-0.2**	-0.1
Eliminated due to changes in Bookkeeping Act	**-6.0**	
Fund for own shares Dec. 31	**0.0**	6.1
Other funds Jan. 1 and Dec. 31	**43.7**	43.7
Retained earnings Jan. 1	**108.4**	177.6
Distribution of profit	**-53.0**	-123.3
Dividends which haven't been drawn	**0.1**	
Share bonus	**0.2**	0.1
Total	**55.6**	54.4
Net profit for the financial year	**67.2**	54.0
Equity, total	**442.3**	420.1

Notes to the parent company financial statements

Breakdown of distributable funds Dec. 31		
EUR mill.	**2005**	2004
Other funds	**43.7**	43.7
Retained earnings	**55.6**	54.4
Net profit for the financial year	**67.2**	54.0
Total	**166.5**	152.1

16. The parent company's shares

Par value EUR 2.00	**Number of shares**	Number of shares
Series A shares (10 votes each)	**24 564 243**	24 564 243
Series B shares (1 vote each)	**29 498 573**	28 448 878
Own B shares	**396 876**	406 939
Total	**54 459 692**	53 420 060

17. Accumulated appropriations

EUR mill.	**2005**	2004
Depreciation difference	**49.5**	56.0
Voluntary provisions	**20.1**	20.1
Total	**69.6**	76.1

18. Essential items in accruals and prepaid income

EUR mill.	**2005**	2004
Accrued staff expenses	**23.6**	24.3
Accrued interest expenses	**0.0**	0.6
Accrued taxes	**3.6**	7.4
Other accruals	**0.7**	1.2
Total	**27.9**	33.4

19. Creditors

EUR mill.	**2005**	2004
Current interest-bearing liabilities	**33.6**	53.1
Current non-interest-bearing liabilities	**123.7**	157.6
Total	**157.3**	210.7

20. Security pledged, contingent liabilities and other commitments

EUR mill.	**2005**	2004
Security pledged on behalf of the company		
Mortgages given	**1.7**	1.7
Security pledged	**0.1**	0.2
Total	**1.7**	1.9
Security pledged on behalf of Group undertakings		
Rent guarantees	**21.0**	17.8
Other guarantees	**23.9**	19.3
Total	**45.0**	37.1
Leasing commitments		
Payable during the 2006 financial year	**4.7**	5.6
Payable at a later date	**16.9**	12.4
Total	**21.6**	18.0
Other own commitments		
Repurchase commitments for transferred leasing and hire purchase agreements		35.4
Total		35.4
Commitments, total		
Mortgages	**1.7**	1.7
Pledges	**0.1**	0.2
Guarantees	**45.0**	37.1
Other commitments	**21.6**	53.4
Total	**68.4**	92.4

21. Pension liabilities

The pension liabilities of the parent company are insured with outside pension insurance companies.
The pension liabilities are fully covered.

Shares and participations

Group undertakings

Parent company holdings	Number	Shareholding %	Voting rights %	Cur-rency	Par value in given currency thousands	Book value, EUR thousands	Shareholders' equity EUR thousands
Oy Hobby Hall Ab, Helsinki	120 000	100	100	EUR	10 092	18 802	15 432
Seppälä Oy, Helsinki	30 000	100	100	EUR	5 046	5 046	12 038
Stockmann Auto Oy Ab, Helsinki	2 505 000	100	100	EUR	5 010	37 895	37 897
Stockmann AS, Tallinn	1 800	100	100	EEK	18 000	1 136	14 863
SIA Stockmann, Riga	1 615 500	100	100	LVL	3 231	4 831	-2 811
SIA Stockmann Centrs, Riga	31 500	63	63	LVL	63	116	117
Oy Stockmann Russia Holding Ab, Helsinki	4 000	100	100	EUR	673	796	657
Z-Fashion Finland Oy, Helsinki	50	100	100	EUR	9	8	608
Oy Suomen Pääomarahoitus-Finlands Kapitalfinans Ab, Helsinki	1 000	100	100	EUR	1 682	1 682	2 244
UAB Stockmann, Vilnius	52 000	100	100	LTL	5 200	1 510	-1 219
Kiinteistö Oy Friisinkeskus II, Espoo	1 948	97	97	EUR	9	612	734
Kiinteistö Oy Luistelijanvuori, Vantaa	72	100	100	EUR	13	1 218	181
Kiinteistö Oy Muuntajankatu 4, Helsinki	50	100	100	EUR	9	3 272	2 190
Kiinteistö Oy Stävö, Helsinki	50	100	100	EUR	9	9	9
Oy Hullut Päivät-Galna Dagar Ab, Helsinki	40	100	100	EUR	11	11	11
Espoon Autotalo Oy, Espoo	400	100	100	EUR	11	463	35
TF-Autokeskus Oy, Vantaa	600	100	100	EUR	11	455	294
Parent company holdings, total						77 862	83 278

Holdings of subsidiaries	Number	Shareholding %	Voting rights %	Cur-rency	Par value in given currency thousands	Book value, EUR thousands	Shareholders' equity EUR thousands
Kiinteistö Oy Helsingin Valurinkatu 1, Helsinki	100	100	100	EUR	17	17	18
Kambrium Oy, Helsinki	50	100	100	EUR	9	222	10
Kiinteistö Oy Länsi-Kaisla, Espoo	20	100	100	EUR	9	1 544	27
Kiinteistö Oy Vantaan Kiitoradantie 2, Vantaa	100	100	100	EUR	17	17	18
Autotalo Jurvakainen Oy, Oulu	100	100	100	EUR	17	541	30
ZAO Kalinka-Stockmann, Moscow	583 450	100	100	RUB	58 345	3 561	11 848
ZAO Stockmann-Krasnoselskaya, Moscow	100	100	100	RUB	55	8	6 492
ZAO Stockmann, Moscow	2 000	100	100	RUB	20 000	587	-11 058
Oy Stockmann Russia Finance Ab, Helsinki	40 000	100	100	EUR	673	784	1 670
Bullworker Myynti Oy, Helsinki	100	100	100	EUR	8	8	465
Oy Concert Hall Society Ab, Helsinki	10	100	100	EUR	0	0	0
Hobby Hall AB, Stockholm	1 000	100	100	SEK	100	11	6
ZAO Kalinka-Stockmann STP, St Petersburg	100	100	100	RUB	30 000	5	2 886
Group undertakings owned by subsidiaries, total						7 305	12 412
Group undertakings, total						85 167	95 690

Joint ventures	Number	Shareholding %	Cur-rency	Par value in given currency thousands	Book value, EUR thousands
Arabian Kiinteistö Oy, Helsinki	5 174	51.3	EUR	17	2 522
Arabian Liiketalo Oy, Helsinki	1 590	12.0	EUR	1	995
Kiinteistö Oy Raitinkartano, Espoo	1 029	15.6	EUR	86	5 533
Kiinteistö Oy Tapiolan Säästötammi Fastighets Ab, Espoo	3 125	37.8	EUR	258	6 242
Joint ventures, total					15 292

The shares of joint ventures are presented in consolidated accounts so that instead of shares assets and liabilities of joint ventures are consolidated in proportion to the Group's interest in the companies.

Other undertakings

Parent company holdings	Number	Shareholding %	Cur-rency	Par value in given currency thousands	Book value, EUR thousands
Kiinteistö Oy Raitinkartano, Espoo	1 029	16	EUR	86	5 533
Kiinteistö Oy Tapiolan Säästötammi Fastighets Ab, Espoo	3 125	38	EUR	258	6 242
Oy Kamppiparkki Ab, Helsinki	50	6	EUR	168	1 556
Tuko Logistics Oy, Kerava	540	9	EUR	908	3 553
Others				2 015	445
Parent company holdings, total					17 328

Proposal for the distribution of parent company profit

According to the Consolidated Balance Sheet, the distributable funds at December 31, 2005, were EUR 165.1 milion. The parent company's distributable funds according to the balance sheet at December 31, 2005, were EUR 166.5 million. According to the Parent Company Balance Sheet at December 31, 2005, the following amounts are at the disposal of the Annual General Meeting:

• retained earnings, including the Contingency fund	99 353 637.71
• net profit for the financial year	67 155 126.71
	166 508 764.42

The Board of Directors proposes that this amount be distributed as follows:

• on the 54 096 096 shares owned by external parties be paid a dividend of EUR 1.10 per share for the 2005 financial year	59 505 705.60
• to be carried forward to the Contingency fund and Retained earnings	107 003 058.82
	166 508 764.42

Helsinki, February 8, 2006

Signatures of the Board of Directors and the CEO to the Board report on operations and the financial statements

Board of Directors

Lasse Koivu

Erkki Etola *Eva Liljeblom* *Kari Niemistö*

Christoffer Taxell *Carola Teir-Lehtinen* *Henry Wiklund*

CEO

Hannu Penttilä

Auditors' report

To the shareholders 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 period 1.1. - 31.12.2005. The Board of Directors and the CEO have prepared the Report of the Board of Directors and the consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the EU and the parent company's financial statements prepared in accordance with prevailing regulations in Finland, that include parent company's balance sheet, income statement, cash flow statement and the notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, the parent company's financial statements and on the administration of the parent company.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of administration is to examine that the members of the Board of Directors and the CEO of the parent company have complied with the rules of the Companies Act.

Consolidated financial statements

In our opinion the consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the EU give a true and fair view, as referred to in the International Financial Reporting Standards as adopted by the EU and defined in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position. The consolidated financial statements can be adopted.

Parent company's financial statements and administration

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Finnish Accounting Act, of the parent company's result of operations as well as of the financial position. The financial statements can be adopted and the members of the Board of Directors and the CEO of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors on how to deal with the distributable funds is in compliance with the Companies Act.

Helsinki, 14 February 2006

Henrik Holmbom	*Wilhelm Holmberg*
Authorized Public Accountant	Authorized Public Accountant

Contact information

www.stockmann.fi
firstname.surname@stockmann.fi

Corporate Management
Aleksanterinkatu 52 B
P.O. BOX 220, FI-00101 HELSINKI
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Fax +358 9 121 3101

Corporate Administration
Kutomotie 1 C
P.O. BOX 147, FI-00381 HELSINKI
Tel. +358 9 121 51
Fax +358 9 121 3342

Department Store Division
Kutomotie 1 C
P.O. BOX 147, FI-00381 HELSINKI
Tel. +358 9 121 51
Fax +358 9 121 5812 (Operations in Finland)
Fax +358 9 121 5250 (International Operations)

Stores

Finland
Helsinki Department Store
Aleksanterinkatu 52
P.O. BOX 220, FI-00101 HELSINKI
Tel. +358 9 1211
Fax +358 9 121 3632

Itäkeskus Department Store
Itäkatu 1-5 C 124, FI-00930 HELSINKI
Tel. +358 9 121 461
Fax +358 9 121 4655

Jumbo Department Store
Valuuttakatu 2, FI-01510 VANTAA
Tel. +358 9 121 251
Fax +358 9 121 2555

Oulu Department Store
Kirkkokatu 14
P.O. BOX 230, FI-90101 OULU
Tel. +358 8 317 9411
Fax +358 8 317 9433

Tampere Department Store
Hämeenkatu 4
P.O. BOX 291, FI-33101 TAMPERE
Tel. +358 3 248 0111
Fax +358 3 213 3573

Tapiola Department Store
Länsituulentie 5, FI-02100 ESPOO
Tel. +358 9 121 21
Fax +358 9 121 2269

Turku Department Store
Yliopistonkatu 22
P.O. BOX 626, FI-20101 TURKU
Tel. +358 2 265 6611
Fax +358 2 265 6714

Academic Bookstore
Keskuskatu 1
P.O. BOX 128, FI-00101 HELSINKI
Tel. +358 9 121 41
Fax +358 9 121 4245
www.akateeminen.com

Bookstores
Helsinki centre, Itäkeskus, Tapiola, Tampere, Turku, Vantaa

Stockmann Outlet
Kuriiritie 17
FI-01370 VANTAA
Tel. +358 9 121 6551
Fax +358 9 121 6549

Stockmann Beauty
Office
Kutomotie 1 C
P.O. BOX 147, FI-00381 HELSINKI
Tel. +358 9 121 51
Fax +358 9 121 5812

Stores
Helsinki (2), Espoo (2), Jyväskylä, Kuopio, Lahti, Pori, Seinäjoki, Tampere, Vaasa

Zara
Office
Z-Fashion Finland Oy
Kutomotie 1 C
P.O. BOX 147, FI-00381 Helsinki
Tel. +358 9 121 4414
Fax +358 9 121 3342

Stores
Helsinki centre, Itäkeskus, Vantaa, Turku

Russia
Moscow Office
ZAO Stockmann
Microdistrict No 8, Khimki
141400 MOSCOW REGION, Russia
Tel. +7 495 739 8636
Fax +7 495 739 8642

Smolenskaya Department Store
Smolenskaya Square, 3
121099 MOSCOW, Russia
Tel. +7 495 785 2500
Fax +7 495 785 2505

Mega South Department Store
Mega Teplyj Stan Shopping Centre
Leninsky District
142704 MOSCOW REGION, Russia
Tel. + 7 495 980 8282
Fax + 7 495 980 8283

Mega North Department Store
Mega Khimki Shopping Centre
Microdistrict No 8, Khimki
141400 MOSCOW REGION, Russia
Tel. +7 495 974 0122
Fax +7 495 784 7383

Bestseller

Office

ZAO Stockmann
Microdistrict No 8, Khimki
141400 MOSCOW REGION, Russia
Tel. +7 495 790 3261
Fax +7 495 739 8642

Stores

Moscow (3), St Petersburg (3)

Other stores

Stockmann Outlet, Moscow
Fashion store, St Petersburg
Supermarket, St Petersburg

Estonia

Tallinn Department Store

Liivalaia 53
10145 TALLINN, Estonia
Tel. +372 6 339 500
Fax +372 6 339 556

Latvia

Riga Department Store

13. Janvāra ielā 8
RIGA LV-1050, Latvia
Tel. +371 707 1200
Fax +371 707 3227

Hobby Hall

Hämeentie 157
FI-00560 HELSINKI
Tel. +358 9 777 611
Fax +358 9 7776 1381
www.hobbyhall.fi
firstname.surname@hobbyhall.fi

Finland

Online Store

www.hobbyhall.fi

Customer Service

Tel. 0106 7722
asiakaspalvelu@hobbyhall.fi

Stores

Hämeentie 157
FI-00560 HELSINKI
Tel. +358 9 7776 1286
Fax +358 9 7776 1290

Valimotie 11
FI-01510 VANTAA
Tel. +358 9 7776 1425
Fax +358 9 7776 1614

Logistics Centres

Tahkotie 2
FI-01740 VANTAA
Tel. +358 9 777 611
Fax +358 9 7776 1481

Valimotie 11
FI-01510 VANTAA
Tel. +358 9 777 611
Fax +358 9 7776 1597

Estonia

Stockmann AS/Hobby Hall
Maakri 25
10145 TALLINN, Estonia
Tel. +372 6 339 600
Fax +372 6 339 603

Online Store

www.hobbyhall.com

Store

Paldiski maantee 102
Rocca al Mare kaubanduskeskus
10149 TALLINN, Estonia
Tel. +372 6 659 065

Latvia

SIA Stockmann/Hobby Hall
Katlakalna 11 c
RIGA LV-1073, Latvia
Tel. +371 707 3200
Fax +371 707 3215
klientu.serviss@hobbyhall.fi

Seppälä

Tikkurilantie 146
P.O. BOX 234, FI-01531 VANTAA
Tel. +358 9 825 981
Fax +358 9 825 1100
www.seppala.fi
firstname.surname@stockmann.fi

Stores

Finland

Alajärvi, Espoo (4), Forssa, Hamina, Haukipudas, Heinola, Helsinki (7), Hollola, Huittinen, Hyvinkää, Hämeenlinna (2), Iisalmi, Imatra, Joensuu (2), Jyväskylä (3), Jämsä, Järvenpää, Kaarina, Kajaani, Kangasala, Kankaanpää, Karhula, Kauhajoki, Kauhava, Kemi, Kemijärvi, Kempele, Kerava, Keuruu, Kirkkonummi, Klaukkala, Kokkola (2), Kotka, Kouvola (2), Kuopio (3), Kurikka, Kuusamo, Kuusankoski, Lahti (3), Lappeenranta (2), Lapua, Laukaa, Lempäälä, Lieksa, Lohja, Loimaa, Loviisa, Mikkeli, Muurame, Mäntsälä, Naantali, Nastola, Nivala, Nokia (2), Orimattila, Oulu (3), Palokka, Parainen, Pello, Pieksämäki, Pietarsaari, Pirkkala, Pori (3), Porvoo, Raahe, Raisio, Rauma, Riihimäki, Rovaniemi, Salo, Savonlinna, Seinäjoki (2), Siilinjärvi, Sodankylä, Sotkamo, Tammisaari, Tampere (5), Tornio, Turku (5), Uusikaupunki, Vaasa, Valkeakoski, Vammala, Vantaa (3), Varkaus, Ylivieska, Ylöjärvi, Äänekoski.

Estonia

Haapsalu, Jôhvi, Narva, Pärnu, Tallinn (7), Tartu (2), Viljandi

Latvia

Riga (6), Daugavpils, Liepaja

Lithuania

Vilnius, Kaunas, Klaipeda

Russia

Moscow (4), St Petersburg (3)

News releases in 2005

Stock exchange releases and other financial news releases published by Stockmann in 2005

Date	News Release	Headline
January 1, 2005	Stock Exchange Release	The Stockmann Group's preliminary sales in December and in 2004
February 9, 2005	Stock Exchange Release	Stockmann Group's sales in January 2005
February 15, 2005	Stock Exchange Release	Stockmann's financial statement bulletin 2004
February 15, 2005	Stock Exchange Release	Stockmann's comparative IFRS information
February 28, 2005	Stock Exchange Release	Notice of Stockmann's Annual General Meeting
March 10, 2005	Stock Exchange Release	Stockmann Group's sales in February 2005
March 16, 2005	Stock Exchange Announcement	Stockmann plc: Exercise of share options 2000
March 29, 2005	Stock Exchange Release	Stockmann's Annual General Meeting on March 29, 2005
March 30, 2005	Stock Exchange Announcement	Stockmann applies for listing of the 2000C share options to the Helsinki Exchange Main List
April 11, 2005	Stock Exchange Release	Postponing the Crazy Days campaign to April lowered the Stockmann Group's sales in March
April 18, 2005	Stock Exchange Release	Stockmann's IFRS compliant comparative quarterly information for 2004
April 21, 2005	Stock Exchange Release	Stockmann plc Interim Report January 1 – March 31, 2005
May 10, 2005	Stock Exchange Release	Strong growth in the Stockmann Group's sales in April 2005
May 20, 2005	Stock Exchange Announcement	Stockmann plc: Exercise of share options 2000
May 24, 2005	Stock Exchange Release	Stockmann to build a department store and shopping centre in St Petersburg
June 9, 2005	Stock Exchange Release	The Stockmann Group's sales in May 2005
June 15, 2005	Stock Exchange Release	The Stockmann Group's new long-term financial targets
June 17, 2005	Stock Exchange Release	Heikki Väänänen appointed as director of Stockmann's Department Store Division and the Group's executive vice president effective November 1, 2005
June 29, 2005	Stock Exchange Announcement	Stockmann plc: Exercise of loyal customer share options and share options 2000
June 29, 2005	Stock Exchange Announcement	Stockmann reduces the lot size of its share
July 11, 2005	Stock Exchange Release	The Stockmann Group's sales in June 2005
August 11, 2005	Stock Exchange Release	Stockmann plc Interim Report January 1 – June 30, 2005
August 11, 2005	Stock Exchange Release	Terhi Okkonen appointed as Seppälä's managing director
August 11, 2005	Stock Exchange Release	The Stockmann Group's sales in July 2005
August 26, 2005	Stock Exchange Announcement	Stockmann plc: Exercise of share options 2000
September 9, 2005	Stock Exchange Release	The Stockmann Group's sales in August 2005
September 22, 2005	Stock Exchange Announcement	Stockmann's profit and loss bulletins 2006
October 6, 2005	Stock Exchange Announcement	Stockmann plc: Exercise of share options 2000
October 10, 2005	Stock Exchange Release	The Stockmann Group's sales in September 2005
October 26, 2005	Stock Exchange Release	Stockmann plc Interim Report January 1 – September 30, 2005
November 8, 2005	Stock Exchange Release	The Stockmann Group's monthly sales in October hit the all time record
November 18, 2005	Stock Exchange Announcement	Stockmann plc: Exercise of share options 2000
November 30, 2005	Press Release	Stockmann sold the real estate housing Seppälä's head office
December 9, 2005	Stock Exchange Release	The Stockmann Group's sales in November
December 20, 2005	Release	Stockmann's Board of Directors supplemented the appointments and compensation committee
December 29, 2005	Stock Exchange Announcement	Stockmann plc: Exercise of share options 2000

All Stockmann's stock exchange releases and other financial news releases since 2002 are available on the company's website www.stockmann.fi.

STOCKMANN

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