Annual Report 2007

STOCKMANN

Contents

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Stockmann in brief

Stockmann is a Finnish listed company which was established in 1862 and is engaged in the retail trade. It has close to 40 000 shareholders. Customer satisfaction is the central objective of Stockmann's trading in all its areas of business. Stockmann's four divisions are the Department Store Division, fashion chains Lindex and Seppälä, and Hobby Hall, which is specialized in distance retail. Stockmann operates in Finland, Sweden, Norway, Russia, Estonia, Latvia, Lithuania and the Czech Republic.

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 result. We reward success.

SOCIAL RESPONSIBILITY

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

Long-term financial targets

	RETURN ON CAPITAL EMPLOYED	EBIT ON REVENUE	SALES GROWTH	EQUITY RATIO
Target set in 2001	Minimum 15%	Minimum 5%	Above industry average	
2001	9.8%	3.6%	Achieved	
2002	12.6%	4.7%	Achieved	
2003	13.2%	4.7%	Achieved	
2004	14.3%	4.9%	Achieved	
Target set in 2005, up to 2010	Minimum 20%	Minimum 8%	Above industry average	Minimum 50%
2005	19.6%	6.7%	Achieved	66.4%
Target set in 2006, up to 2011	22.0%	10.0%	Above industry average	Minimum 50%
2006	22.9%	10.0%	In line with industry average	74.5%
2007	12.1%	9.0%	In line with industry average	32.6%

The Group structure underwent a major change following the acquisition of Lindex towards the end of 2007. Consequently, the Board of Directors will reassess the Group's long-term financial targets.

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.

Information for shareholders

Annual General Meeting

The 2008 Annual General Meeting of the shareholders of Stockmann plc will be held on Tuesday, March 18, 2008, 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 12, 2008, at 4.00 p.m., telephone +358 9 121 4020 or the company's website www.stockmann.com.

Those shareholders are entitled to participate in the Annual General Meeting, who have been entered on March 7, 2008, as shareholders in the Shareholder Register kept by Finnish Central Securities Depository Ltd.

A shareholder shall have the right to have a matter which falls under the jurisdiction of the Annual General Meeting handled at a General Meeting of the Shareholders if he presents a written request therefore to the Board of Directors early enough for the matter to be included in the notice to convene the meeting.

Payment of dividend

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 1.35 per share be paid for the 2007 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 25, 2008, 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 April 2, 2008.

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 2008:

- January-March Interim Report April 24, 2008
- January-June Interim Report August 6, 2008
- January-September Interim Report October 23, 2008

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

Investor Relations:

e-mail investor.relations@stockmann.com

Report and release requests:

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P.O. Box 147, FI-00381 Helsinki, Finland
Telephone +358 9 121 3089
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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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Danske Markets Equities
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Deutsche Bank AG, Helsinki Branch
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Tel. +358 9 6162 8713

Standard & Poor's
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Tel. +46 8 5450 6963

Stockmann's commercial operations

● = *Stockmann department store*

Finland

- 7 department stores
- 7 Academic Bookstores
- 51 Lindex stores
- Hobby Hall mail order sales, an online store and 2 stores
- 128 Seppälä stores
- 16 Stockmann Beauty stores
- 4 Zara stores
- 1 Outlet store

Sweden

- 193 Lindex stores

Norway

- 89 Lindex stores

Estonia

- 1 department store
- 3 Lindex stores
- Hobby Hall mail order sales, an online store and a store
- 15 Seppälä stores

Latvia

- 1 department store
- 7 Lindex stores
- Hobby Hall mail order sales and an online store
- 9 Seppälä stores

Lithuania

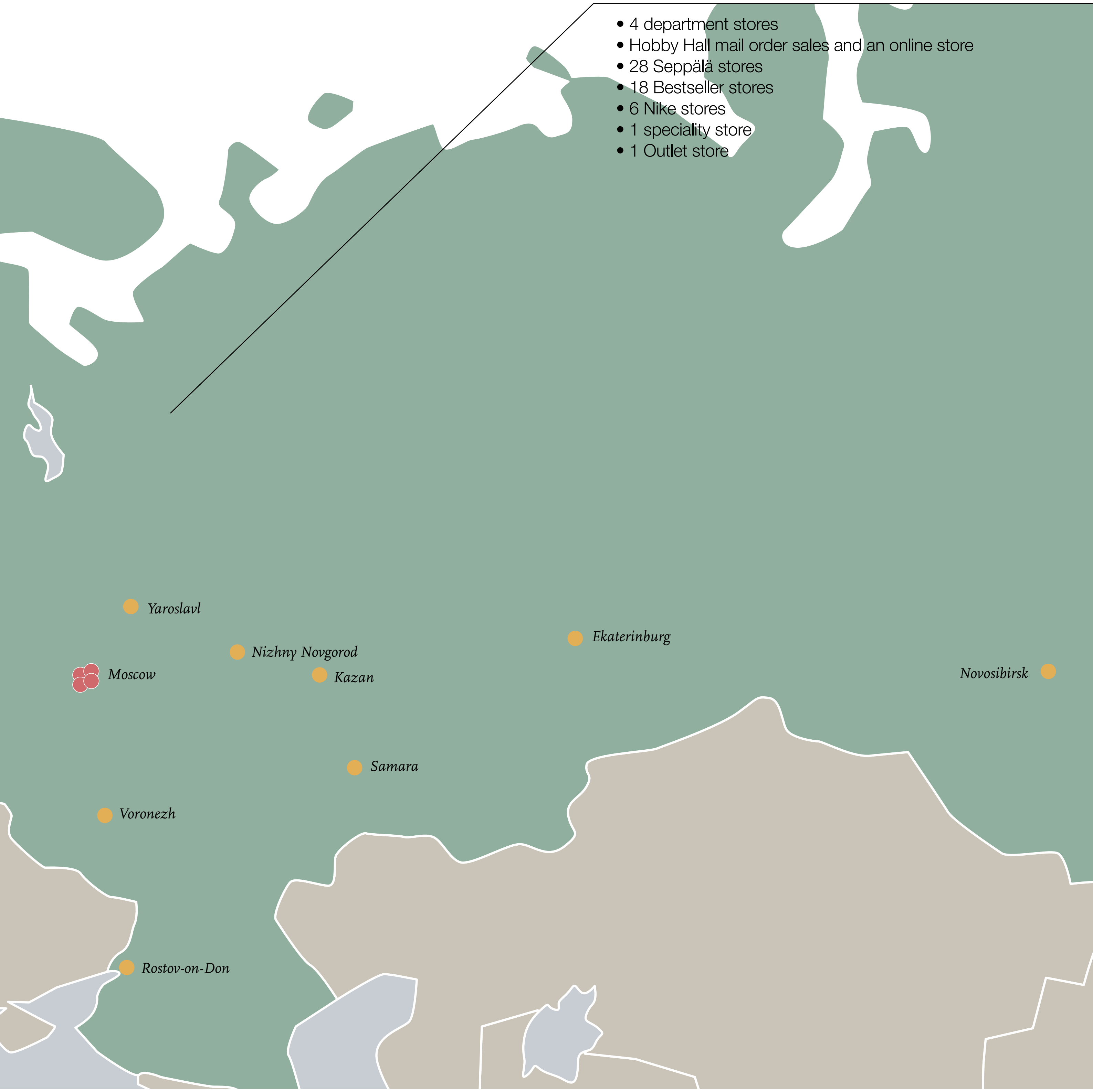
- 2 Lindex stores
- Hobby Hall mail order sales and an online store
- 7 Seppälä stores

The Czech Republic

- 1 Lindex store

Russia

- 4 department stores
- Hobby Hall mail order sales and an online store
- 28 Seppälä stores
- 18 Bestseller stores
- 6 Nike stores
- 1 speciality store
- 1 Outlet store



Stockmann in 2007

KEY FIGURES

		FAS 2003	IFRS 2004	IFRS 2005	IFRS 2006	IFRS 2007
Sales	EUR mill.	1 698.6	1 735.0	1 851.3	1 552.6	**1 668.3**
Change in sales	%	7.4	2.1	6.7	-16.1	**7.4**
Revenue	EUR mill.	1 412.7	1 445.0	1 542.6	1 300.7	**1 398.2**
Staff expenses	EUR mill.	194.9	202.2	218.0	204.7	**224.1**
Share of revenue	%	13.8	14.0	14.1	15.7	**16.0**
Operating profit	EUR mill.	65.7	79.8	103.7	129.5	**125.2**
Share of revenue	%	4.7	5.5	6.7	10.0	**9.0**
Profit before taxes	EUR mill.	74.0	78.9	102.8	128.9	**119.4**
Investment in fixed assets	EUR mill.	40.9	59.0	57.0	125.5	**977.4**
Total assets	EUR mill.	800.8	749.0	761.5	767.6	**1 823.7**
Share capital	EUR mill.	105.3	106.8	109.0	111.7	**112.2**
Market capitalization at December 31	EUR mill.	955.6	1 140.8	1 761.3	2 028.6	**1 659.8**
Dividend paid	EUR mill.	123.3	53.0	59.5	72.1	**75.2** *
Dividend per share 1)	EUR	2.35	1.00	1.10	1.30	**1.35** *
Earnings per share 1)	EUR	1.01	1.13	1.44	1.93	**1.59**
Earnings per share, diluted 1)	EUR	1.00	1.11	1.42	1.90	**1.58**
Equity ratio	%	68.3	62.5	66.4	74.5	**32.6**
Return on equity	%	9.6	12.2	15.8	19.4	**15.2**
Return on capital employed	%	13.2	14.8	19.6	22.9	**12.1**

1) Adjusted for share issues.

*) Board proposal to the AGM. According to the proposal, a dividend of EUR 1.35 per share will be paid.

SALES BY QUARTER 2006-2007, *EUR mill.*

	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007
Department Store Division	235.8	270.8	249.0	363.4	281.2	261.0	275.5	400.4
Lindex*								68.1
Hobby Hall	52.6	46.2	45.5	55.5	55.6	46.0	45.9	58.9
Seppälä	32.4	40.2	40.2	45.3	34.6	43.5	45.4	51.2
Unallocated	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Continuing operations, total	**320.9**	**357.6**	**334.9**	**464.4**	**371.7**	**350.7**	**367.0**	**578.8**
Discontinued operations	74.8							
Group	395.7	357.6	334.9	464.4	371.7	350.7	367.0	578.8

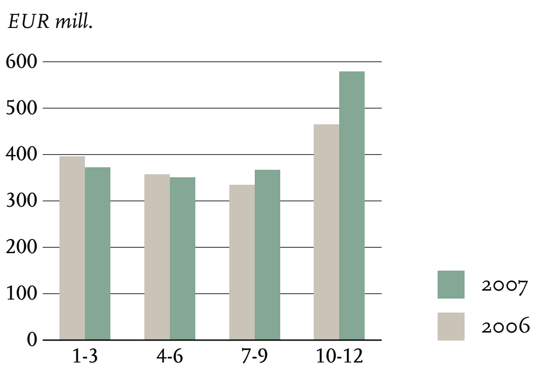
* Lindex from December 6, 2007

OPERATING PROFIT BY QUARTER 2006-2007, *EUR mill.*

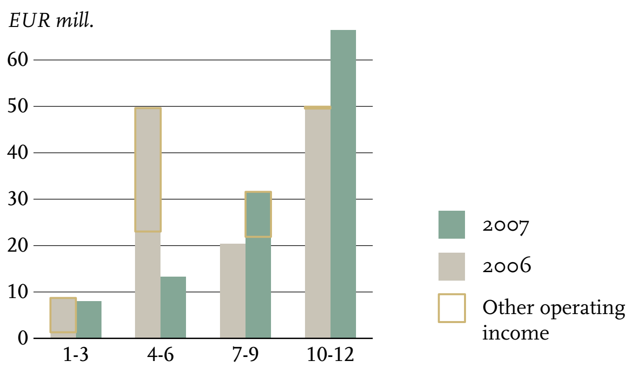
	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007
Department Store Division	-0.1	22.2	13.1	44.3	7.8	11.5	25.7	46.9
Lindex*								15.0
Hobby Hall	1.0	0.6	2.1	3.4	1.5	-0.9	2.5	2.7
Seppälä	0.8	7.6	5.4	7.3	0.8	5.8	5.5	8.6
Unallocated	-1.4	-1.9	-0.9	-3.8	-1.8	-2.1	-1.1	-2.4
Eliminations	0.6	0.2	0.1	-0.6	0.0	-0.1	-0.5	0.0
Continuing operations, total	**0.8**	**28.7**	**19.8**	**50.6**	**8.2**	**14.1**	**32.1**	**70.8**
Discontinued operations	7.7	21.9						
Group	8.5	50.6	19.8	50.6	8.2	14.1	32.1	70.8

* Lindex from December 6, 2007

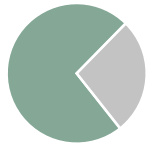
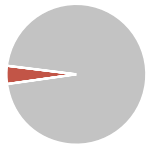
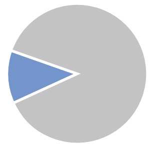
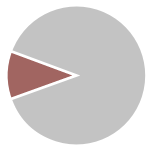
SALES BY QUARTER 2006-2007



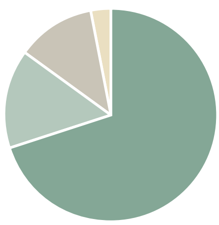
PROFIT BEFORE TAXES BY QUARTER 2006-2007



Divisions in short

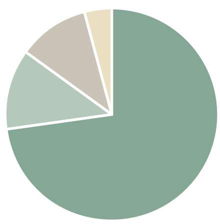
DIVISIONS AND THEIR MANAGEMENT	OFFERINGS	LOCATIONS	SHARE OF STOCKMANN'S SALES
DEPARTMENT STORE DIVISION Heikki Väänänen	Offers customers a knowledgeable shopping environment and good service in a congenial atmosphere. The key to Stockmann's success is a unique and broad assortment of good products at competitive prices.	• **Finland:** 7 department stores, 7 Academic Bookstores, 1 Outlet store, 4 Zara stores, 16 Stockmann Beauty stores • **Russia:** 4 department stores, 1 Outlet store, 1 speciality store, 18 Bestseller stores, 6 Nike stores • **Estonia:** one department store • **Latvia:** one department store	EUR 1 218.1 million  73 %
LINDEX Göran Bille	Lindex offers inspiring fashion that is good value for money. There are several concepts for women's wear, lingerie, children's wear and cosmetics. Lindex's collections are characterized by well considered details, trendiness and a fast turnover of novelties. Group Company since December 6, 2007.	• **Sweden:** 193 stores • **Norway:** 89 stores • **Finland:** 51 stores • **Estonia:** 3 stores • **Latvia:** 7 stores • **Lithuania:** 2 stores • **Czech Republic:** 1 store	EUR 68.1 million  4 %
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:** Largest mail order sales company and leading online store, 2 stores • **Estonia:** Largest mail order sales company, an online store, one store • **Latvia:** Largest mail order sales company, an online store • **Lithuania:** Mail order, an online store • **Russia:** Mail order, an online store	EUR 206.5 million  12 %
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:** 128 stores • **Russia:** 28 stores • **Estonia:** 15 stores • **Latvia:** 9 stores • **Lithuania:** 7 stores	EUR 174.7 million  11 %

SALES BY GEOGRAPHICAL SEGMENT



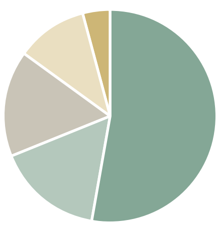
- 70% Finland
- 15% Russia
- 12% Baltic countries + Czech Republic
- 3% Sweden + Norway

DISTRIBUTION OF SALES BY DIVISION



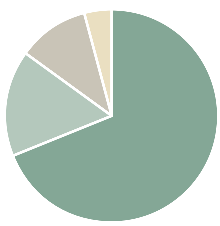
- 73% Department Store Division
- 12% Hobby Hall
- 11% Seppälä
- 4% Lindex

SALES BY SECTOR



- 53% Fashion
- 16% Food
- 16% Leisure
- 11% Home
- 4% Books, publications, stationery

DISTRIBUTION OF OPERATING PROFIT BY DIVISION



- 69% Department Store Division
- 16% Seppälä
- 11% Lindex
- 4% Hobby Hall

Major events in 2007

FEBRUARY

- Stockmann marked 145 years in business on February 1, 2007. The event was celebrated by putting in a good day's work.
- Stockmann's fourth department store in Moscow opened its doors in the Mega Shopping Centre on the southeast side of Moscow. The department store has over 10 000 square metres of retail space.
- Hobby Hall launched distance retailing in Lithuania.
- Stockmann opened its first two Nike stores in St Petersburg. All in all, Stockmann opened five Nike stores in Russia over the year.

MARCH

- Following Lasse Koivu's resignation from the Board of Directors, which he chaired, the Board elected Christoffer Taxell, LL.M., as its new chairman.

APRIL

- Stockmann's department store in Turku celebrated its 25th birthday on April 6, 2007.
- April 8, 2007, marked 50 years in business for the Stockmann department store in Tampere.
- Stockmann announced that it had signed a preliminary agreement on opening a fifth department store in Moscow in leased premises in the Metropolis Shopping Centre that is being built near the centre of town. The department store will have a total of about 8 000 square metres of floor space, and plans call for opening it in autumn 2008.
- Hobby Hall placed in use a new Enterprise Resource Planning system, which is designed to reduce work, boost cost-effectiveness, make possible greater variety in service offerings and improve customer service.

MAY

- Hobby Hall signed an agreement with YIT Construction Ltd on the leasing of new office premises in the seven-storey office building that will be completed in the Käpylä district of Helsinki in autumn 2008. Hobby Hall will be the building's main tenant.

JUNE

- Stockmann's own programme for executives at units abroad, the Senior Management Trainee Pool, got under way.

AUGUST

- Hobby Hall announced it was planning to start up online shopping in Sweden in 2008.
- Stockmann announced it was placing the department stores in Finland and the Baltic countries under joint management, headed by Ms Maisa Romanainen, as from January 1, 2008, and that it would hive off the department stores in Russia into an area of responsibility of their own, headed by Mr Jouko Pitkänen. Both will report to Executive Vice President Heikki Väänänen, who heads the Department Store Division.

SEPTEMBER

- Stockmann announced that the credit facilities of Stockmann's credit-line Loyal Customer Cards would converge with those of the international MasterCard during 2008 in Finland, Estonia and Latvia, where Stockmann did not provide any Loyal Customer Card with a credit facility. The new card offerings will be based on an agreement between Stockmann and Nordea concerning transfer of the financing of Loyal Customer accounts to Nordea. In respect of Russia, Stockmann, acting in co-operation with Citibank agreed on bringing to market a MasterCard Loyal Customer Card with a credit facility in spring 2008.
- The Stockmann department store in Helsinki's Itäkeskus Shopping Centre marked 15 years in business on September 29, 2007.
- Stockmann and the Swedish listed company AB Lindex (publ) entered into an agreement on September 30, 2007, whereby Stockmann or a wholly-owned subsidiary of it would make a public tender offer, recommended by Lindex's Board of Directors, for all of Lindex's issued shares. The offer period was October 29 – November 30, 2007. Lindex is one of northern Europe's largest fashion chains. It has good profitability and a strong market position, especially in Sweden, Norway and Finland.

OCTOBER

- Stockmann announced it had entered into an agreement on opening a department store with over 8 000 square metres of retail space in leased premises in a shopping centre that is presently under construction in Ekaterinburg, Russia. According to plans, the department store will open by summer 2009.

NOVEMBER

- Seppälä expanded to Siberia, where its first store was opened in Novosibirsk, about 3 300 kilometres to the east of Moscow. With its population of 1.4 million, Novosibirsk is Russia's third largest city, and Siberia's administrative centre.

DECEMBER

- Stockmann announced on December 3, 2007, that it had received acceptances for 96.4 per cent of the shares in Lindex by the end of the offer period, and that it would complete the tender offer it had made. Clearing and settlement of the shares tendered was carried out on December 5, 2007, and from the next day Lindex's sales and earnings were consolidated within the Stockmann Group's accounts. The acceptance period was extended by two weeks until December 14, 2007, after which date Stockmann owned 97.8 per cent of the shares in Lindex. Stockmann has initiated a compulsory redemption procedure in order to acquire all the remaining shares in Lindex. Lindex's shares were delisted on January 18, 2008. The Stockmann Group is now operating in eight countries. Its sales in 2008 will be about EUR 2.4 – 2.5 billion and it will have more than 16 000 employees.
- Hobby Hall launched distance retailing in Russia and set up its order centre for Russia in St Petersburg.
- Karl W. Stockmann, the last of the founder's descendants who up to now have been employed by Stockmann, retired on December 31, 2007 after a long and distinguished career. He entered Stockmann's service in 1968 and occupied various posts, working e.g. as purchasing director for the Department Store Division and most recently, since 2001, as director of the department stores in Finland.

Growth: East and West

Private consumption continued to grow in all the Stockmann Group's market areas. The strongest growth was in the Baltic countries, whose economies showed clear signs of overheating. In Russia too, consumption continued to grow strongly and at a faster pace than in Finland.

Over the past twenty years or so, Stockmann's expansion has been driven by organic growth. Last year, the company added significantly to this underlying growth by acquiring, through a public tender offer, the Lindex fashion chain of Sweden, which became a new Stockmann division. The transaction was completed on December 5, 2007, and from the next day Lindex's sales and earnings were consolidated within the Stockmann Group's figures. Lindex was delisted from the OMX Nordic Exchange in January 2008.

The Lindex acquisition will speed up Stockmann's growth and fill out its international footprint. As a consequence of the deal, the Group's sales will increase by about a third. The number of countries in which Stockmann operates will rise to eight and the number of employees to over 16 000. The new market areas are Sweden, Norway and the Czech Republic. The strategic rationale for the Lindex acquisition is, apart from achieving a sound position in Sweden and Norway, above all the significant growth potential which Stockmann can offer Lindex in Russia and other new market areas in Eastern Europe. Lindex will retain its own brand and own way of operating, but our objective is to integrate Lindex as part of the Stockmann Group with the aim of leveraging best business practices in order to get the full benefits from available synergies.

Higher earnings from continuing operations

The Stockmann Group posted sales of EUR 1 668 million, with sales from continuing operations up 13 per cent on the previous year. Sales in Finland rose by 4 per cent and sales abroad by 40 per cent. Sales by the units abroad rose to 30 per cent of sales from continuing operations. Now that Lindex will operate as part of the Group for the full year in 2008, sales generated outside Finland will rise to nearly half of aggregate sales.

Consolidated profit before taxes was EUR 119 million. The result from continuing operations improved by 20 per cent. Total earnings were slightly lower than the record level of overall earnings a year earlier, in which non-recurring income was almost EUR 25 million higher than in 2007.

Of the business units, the Department Store Division posted a marked improvement in earnings. Seppälä's result came in at last year's excellent level despite the division's energetic expansion. Hobby Hall's earnings, however, declined slightly. The level of Lindex's operational result developed favourably in 2007.

Lindex acquisition alters the capital structure

Stockmann is a company that has hitherto had an exceptionally strong equity ratio. Because Lindex was purchased entirely with borrowed capital, this naturally had a significant effect on the Group's key ratios. The return on capital employed fell to 12.1 per cent, whereas the operating profit margin rose compared with the previous year's operating profit margin, stripping out non-recurring items, and was 9.0 per cent. The equity ratio declined to 32.6 per cent. The Board of Directors intends to strengthen the Group's capital structure. To do this, it will request that the Annual General Meeting grant it authorizations to increase the share capital. The company's long-term financial targets have not been changed due to the acquisition of Lindex. The Board of Directors will outline its position on them during its strategy round in 2008.

Growth thrust continues

The Group has a number of major investment projects under way, all of which aim to ensure that the fundamentals for future growth are in place. Unfortunately, both in Finland as elsewhere round the world, the ongoing boom in construction has also had implications for Stockmann's projects and has been a factor in causing both cost and timetable pressures. The "All-time Stockmann" enlargement and modernization project at the Helsinki department store has been carried ahead in exemplary fashion, without mentionable disturbance to the store's customer service. This endeavour, in combination with the problems encountered with crushed zones in performing the underground works and the general rise in cost levels, has led to a higher investment price tag. The project will be completed during 2010 in accordance with the overall timetable. The present cost estimate for the enlargement has risen to EUR 190 million, in addition to which repair and refurbishing measures connected with the maintenance of the old department store have been carried out during the project.

The Stockmann Nevsky Centre shopping centre project that is under construction in the centre of St Petersburg will reach completion more slowly than expected due to the red tape connected with obtaining permits. The timetable at present is for the building to be completed by the end of 2009. The delay will also translate into an increase in the total investment cost to EUR 170 million. The city of St Petersburg is strongly backing the investment, which it considers strategically important. When the project is ready, its commercial floor space will be about 50 000 square metres, half of which will be for the Group's own retail business, whereas the other half will be leased to external partners in cooperation.

Apart from these flagship projects, growth will be lifted by other projects as well. At the Metropolis shopping centre, Stockmann's fifth department store in Moscow will be opened towards the end of the year. A sixth is slated to open in 2010 at Rostokino, Moscow's largest shopping centre, which is located on the northeast side of town. The first department store to be located in one of Russia's provincial cities is scheduled to open in Ekaterinburg in 2009.

A central objective in the current year is to gain a firm foothold for Lindex in the Russian market. The swift expansion in Russia of Seppälä, along with our Bestseller and Nike franchising chains, reinforces our belief in reaching this objective.

Not much progress has been made in entering the Ukrainian market, which is an objective in line with our business concept. Concluding transparent lease agreements on business premises has proved to be difficult. Ukraine is nevertheless a market area of the future. Lindex has begun operating in the Czech Republic, opening up interesting possibilities for considering the launch of joint operations elsewhere in the East European market as well.

In 2008, Stockmann's Loyal Customers will receive a new international Stockmann MasterCard with a credit facility. The card will be operated in Finland and the Baltic countries in cooperation with Nordea Bank. Our partner in Russia is Citibank.

Dividend rises and Loyal Customers receive a new share option programme

Although Stockmann is continuing its aggressive rate of capital expenditures, our objective is to retain a stable dividend-paying ability by keeping earnings on a rising trend. The Board of Directors is proposing that the dividend for 2007 be raised to EUR 1.35 per share. Because of subscriptions made with share options, the total number of shares outstanding has risen to about 56.1 million shares. Stockmann's market capitalization decreased, in tandem with the overall trend in the equity markets, by 18 per cent during the year.

Twice in its history, Stockmann has offered share options to its premium Loyal Customers. On the basis of purchases made during the two-year period that came to a close at the end of 2007, there are more than 54 000 Loyal Customers who are entitled to subscribe for share options. A Loyal Customer who subscribes for the options will have the right to exercise the options for shares in the company over the next two-odd years. With the aim of continuing this tried-and-true practice, the Board of Directors will propose to the Annual General Meeting a new two-year Loyal Customer share option programme based on purchases made at the Group's business units during 2008-2009. The share subscriptions could thus be made during the years 2011 and 2012.

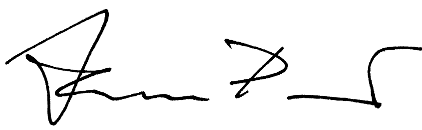
Outlook for 2008

The uncertainty that has hit the money and equity markets has so far not fed through into private consumption in Stockmann's operating areas.

We estimate that the trend in the operating environment will continue to be favourable in all our market areas in 2008, although growth – the Russian market excepted – will slacken a bit. In the current year, Lindex's sales and earnings will be included in their entirety in the consolidated figures. This will mean a sizeable rise in sales, at the same time bringing a substantial increase in financial expenses and total assets as well. The target for Lindex and the divisions existing of old is to improve their earnings from continuing operations. The Group's objective is to post profit before taxes in 2008 that exceeds the previous year's result.

At the same time as I bid the Lindex staff welcome to Stockmann, I warmly thank our customers for the confidence they have shown in us and our employees across the entire Group for the excellent job they have done in 2007.

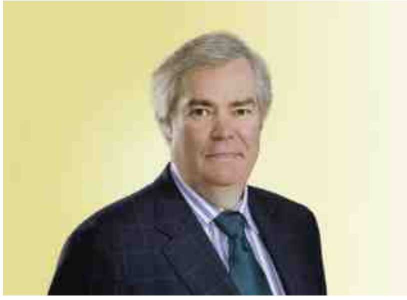
Helsinki, February 7, 2008



Hannu Penttilä

Christoffer Taxell

Erkki Etola



Kaj-Gustaf Bergh

Eva Liljeblom

Kari Niemistö

Carola Teir-Lehtinen

Henry Wiklund

Antti Haajanen

Tero Pekanpalo

Board of Directors and auditors

CHAIRMAN
Christoffer Taxell *
(b. 1948), LL.M.
Member of the Board since 1985.
SHARES: A 2 250, B 5 319

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 995 834

Kaj-Gustaf Bergh *
(b. 1955), LL.M., B.Sc.(Econ.), managing director, Föreningen konstsamfundet r.f.
Member of the Board since 2007.
SHARES: A 1 020, B 2 097

Eva Liljeblom **
(b. 1958), D.Sc.(Econ.), professor,
Svenska Handelshögskolan.
Member of the Board since 2000.
SHARES: A 243, B 3 560

* Independent of the company
** Independent of the company and major shareholders

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 967 706

Carola Teir-Lehtinen **
(b. 1952), M.Sc., Corporate Vice President,
Sustainable Development,
Fortum Corporation.
Member of the Board since 2004.
SHARES: B 2 845

Henry Wiklund *
(b. 1948), managing director,
Svenska litteratursällskapet i Finland rf.
Member of the Board since 1993.
SHARES: A 720, B 4 616

PERSONNEL REPRESENTATIVES ON THE BOARD
April 1, 2007 – March 31, 2008
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.

Antti Haajanen
(b. 1967), Administration Manager, the department store in Tampere. Personnel representative on the Board, elected by Stockmann's senior salaried employees.

Tero Pekanpalo
(b. 1969), stock worker, chief shop steward, Hobby Hall. Personnel representative on the Board, elected by the Group Council.

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.com.

AUDITORS
Jari Härmälä
(b. 1961), M.Sc.(Econ.), Authorized Public Accountant. Stockmann's regular auditor since 2007.

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

DEPUTY AUDITOR
KPMG Oy Ab

Hannu Penttilä

Heikki Väänänen

Pekka Vähähyyppä

Raija Saari

Göran Bille

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 12 836
OPTIONS: 2006A 16 000, 2006B 16 000

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 5 336
OPTIONS: 2006A 10 000, 2006B 10 000

Pekka Vähähyyppä
(b. 1960), M.Sc.(Econ.), CFO.
Joined Stockmann's 2000, at the present position since 2001.
SHARES: B 4 714
OPTIONS: 2006A 8 000, 2006B 8 000

Göran Bille
(b. 1955), B.Sc.(Econ.), CEO, Lindex.
Joined Stockmann's 2007, at the present position since 2004.
SHARES: –
OPTIONS: –

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 2 554
OPTIONS: 2006A 8 000, 2006B 8 000

Terhi Okkonen
(b. 1961), eMBA, managing director, Seppälä.
Joined Stockmann's 1991, at the present position since 2005.
SHARES: B 1 328
OPTIONS: 2006A 8 000, 2006B 8 000

Jussi Kuutsa
(b. 1964), B.Sc.(Econ.), Development Director
for the Group's international operations.
Joined Stockmann's 1996, at the present position since 2006.
SHARES: B 2 786
OPTIONS: 2006A 8 000, 2006B 8 000

Jukka Naulapää
(b. 1966), LL.M., Director, legal affairs.
Joined Stockmann's 1998, at the present position since 2006.
SHARES: B 1 848
OPTIONS: 2006A 8 000, 2006B 8 000

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 related persons reported at December 31, 2007. 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.com. Information on Stockmann plc shares and options on pages 53 – 57 and 59 of the Annual Report.

Stockmann's Department Store Division operates in Finland, Russia, Estonia and Latvia. In Finland, the Division has seven department stores, Academic Bookstores in all the department store localities as well as the speciality chains Stockmann Beauty and Zara. In Russia, the division has four department stores in Moscow, a speciality store in St Petersburg as well as the Bestseller fashion chain and the Nike sporting goods chain, which operate on the franchising principle. A Stockmann department store also operates in Tallinn and Riga.

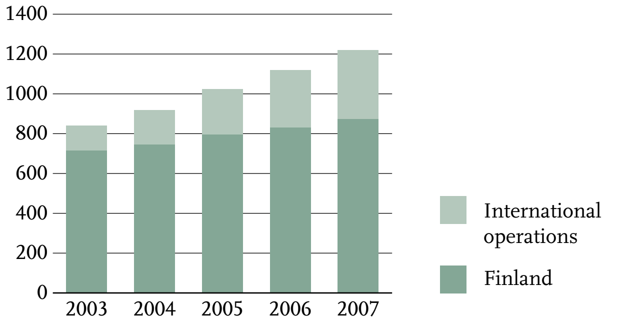
Another record result

The Department Store Division's sales inclusive of VAT were EUR 1 218.1 million, up 9 per cent on the previous year. The division generated revenue of EUR 1 025.0 million and operating profit of EUR 91.8 million, which was again a record result. Operating profit improved by EUR 12.3 million, or 15.5 per cent on the previous year.

Sales by the department stores, Academic Bookstores and speciality commercial chains in Finland amounted to EUR 871.8 million, an increase of EUR 39.6 million, or 5 per cent. The strongest growth in sales, 21 per cent, was reported by International Operations. The department stores in Tallinn and Riga posted robust sales growth, and sales by the four department stores operating in Moscow also developed according to expectations. International Operations' share of the division's sales rose to 28 per cent.

DEVELOPMENT OF THE DEPARTMENT STORE DIVISION'S SALES 2003-2007

EUR mill.



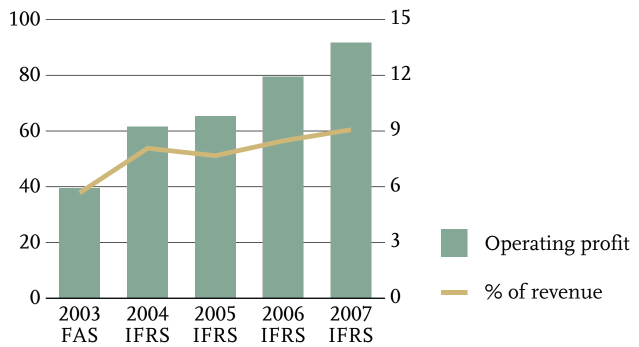
KEY FIGURES

Department Store Division, *EUR mill.*	2007	2006	change %
Sales	1 218.1	1 119.0	9
Proportion of Group sales, %	73.0	67.1	
Operating profit*	91.8	79.5	16
Return on capital employed, %*	18.1	21.2	
Capital employed	506.1	374.2	35
Investments	111.5	115.3	
Staff, December 31	9 545	8 792	9
Sales area, square metres	190 708	179 809	6

* *including other operating income*

DEVELOPMENT OF THE DEPARTMENT STORE DIVISION'S OPERATING PROFIT 2003-2007

EUR mill. %



Department Store Division

The theme of the traditional autumn city campaign in 2007 was vibrant New York.

In February, Moscow's fourth Stockmann department store, Mega East, was opened.

The Villa Stockmann Astoria wine glass set is Stockmann's own brand.

The Department Store Division is seeking 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. Profitability in the Baltic countries has improved year by year. Earnings in Russia were weakened by the opening of new units and by the customs problems that were encountered in the early months of the year. The sales and earnings of the new Mega East department store that was opened in Moscow in February 2007 have met expectations.

The Department Store Division's primary economic objectives are an improvement in the gross margin level, ensuring the efficient employment of capital and rigorous cost management. The gross margin during the year was 41.7 per cent, compared with 41.1 per cent a year earlier, and the return on the capital employed was 18.1 per cent (21.2 per cent). Total expenses increased by 9.2 per cent, due for the most part to the new stores opened in Russia.

Stockmann department stores have a strong market share in Finland

Stockmann has held on to its market share and in some fields even increased it in Finland's ever-tougher competitive environment. The Stockmann department stores retained their strong market share in the fashion trade in 2007. Within the household, leisure and food product groups, Stockmann has reinforced its market share by stepping up sales at a faster rate than other retailers. At Stockmann department stores, the best sales growth was recorded in the consumer electronics (+ 11 per cent), children's clothes and toys (+ 9 per cent) and women's accessories (+ 8 per cent) merchandise areas.

The Stockmann department stores' customer volume grew by 6 per cent in 2007. Customer volume at the department stores in Finland remained at nearly the previous year's level. The increase in sales at the department stores in Finland is due to the growth in customers' average purchases. At the department stores in the Baltic countries too, customers' average size of purchase has increased markedly. At the same time, sales growth has been excellent, though customer volumes were at nearly the previous year's level. The number of customers visiting the department stores in Russia grew by 23 per cent. Growth was spurred by the opening of the new Mega East department store in February, but the customer volumes at the other Mega department stores in Moscow also grew.

The cornerstone of the Department Store Division's excellent earnings is the strong Stockmann brand, which is anchored in the concept of a buying experience that exceeds expectations. It is made up of a wide and high-quality assortment, an international atmosphere, and an upscale shopping environment along with knowledgeable and top-calibre customer service.

Seeking growth in Russia

The Department Store Division has set the target of increasing the share of sales and operating profit generated abroad to half of the entire division's sales and operating profit by the end of 2012. In order to achieve these targets, the division continually surveys the possibilities of opening new department stores in the Russian market.

Stockmann has taken a strategic decision to open department stores not only in Moscow and St Petersburg but also in other Russian cities with a population of over a million. The Group's speciality stores began expanding their operations to these cities back in 2006. Shopping centre projects that will enable the department store chain to grow are under way or in the planning stages in many of these cities. Stockmann does not open a department store in a new city until the experiences it has obtained by means of the speciality stores signal adequate purchasing power and indicate the market situation.

A department store to open in Ekaterinburg

Stockmann has entered into an agreement on opening a department store in Ekaterinburg, the first one outside Moscow and St Petersburg. In 2009, Stockmann will open a department store with about 8 000 square metres of retail space in the extension to the existing shopping centre that is located in the centre of the city. Ekaterinburg, with its population of about 1.3 million, is the centre of the steel industry in the Urals.

Benefits and treats for Loyal Customers.

Mac, a perennial favourite with international make-up artists, came out on the market for the first time in Finland at the Helsinki Stockmann's.

Stockmann blazes ahead with sixth department store in Moscow

In February, the Department Store Division opened a fourth department store in the Mega Belaya Dacha shopping centre built by Ikea on the southeast side of Moscow. Operations of the department store, with a good 10 000 square metres of retail space, have started according to plan.

Stockmann has signed a preliminary agreement on opening Moscow's fifth Stockmann department store in leased premises in the Metropolis shopping centre that is to be built on the north side of town. The 100 000 square metre shopping centre which will be completed towards the end of 2008 and the office cluster for about 20 000 employees which will be built in and around it have good transport connections nearby. The department store, with about 8 000 square metres of retail space that is to be opened in the shopping centre, will strengthen Stockmann's position in the heart of Moscow.

At the beginning of 2008, Stockmann entered into a preliminary agreement on opening a sixth Stockmann department store in Moscow. The 160 000 square metre Rostokino shopping centre that is under construction on the north side of Moscow will be completed in 2010, as plans now stand. The Stockmann department store to be opened in this shopping centre will have about 10 000 square metres of retail space.

The Greater Moscow area is home to about 15 million people. This will make it possible to open further new department stores in addition to the four already in operation and the two that are in the pipeline.

Project in St Petersburg moves ahead

Stockmann's position in the retail market of St Petersburg, Europe's fourth largest city, will improve significantly when the department store and shopping centre are opened right in the heart of town. In 2006, Stockmann purchased a 10 000-odd square metre commercial plot on Nevsky Prospect, St Petersburg's high street. The plot is located in the vicinity of the Moscow railway station and next to the Vosstaniya Square metro station. On this plot, Stockmann will erect the Nevsky Centre shopping centre that will have about 100 000 square metres of gross floor space, of which about 50 000 square metres will be store and office space. A full-scale Stockmann department store with about 20 000 square metres of retail space has been planned for the shopping centre, along with other retail stores, office premises and a 550-vehicle underground carpark.

The St Petersburg department store and shopping centre project has progressed more slowly than expected. This has caused an increase in the project's cost estimate. The total investment is estimated at about EUR 170 million. The foundation works for the building are under way. The objective is to get the construction works completed by the end of 2009.

Investments on track in Finland

Stockmann celebrated its 145th birthday in 2007. The same year, the department store in Tampere celebrated its 50th birthday, the department store in Turku marked 25 years in the trade and the department store in Helsinki's Itäkeskus shopping centre reached the 15-year waypost. In line with the present strategic choices the company has made, no new Stockmann department store will be opened in Finland. The continuous development of the existing department stores and their possible enlargement will, however, be important success factors.

A major enlargement and reinvigoration programme was launched in 2006 at the department store in the centre of Helsinki. The "All-time Stockmann" project will be completed in 2010. This is the Stockmann Group's largest single investment. The project will add almost 10 000 square metres of new retail space to Stockmann's main department store, whilst providing modern logistics solutions and new social facilities for the staff. Refurbishment of the existing customer areas was seen to completion by the end of 2007. Now the focus will be on building the new facilities and getting them ready to go into operation. The enlargement project will offer more convenient shopping for customers in the department store and boost sales substantially. The department store's customers will welcome the new 600-vehicle carpark. After the enlargement, the Helsinki department store will have a

Academic Bookstore returned to Oulu after a lapse of ten years.

In accessories, the real eye-catcher is a showy bag.

total of about 50 000 square metres of retail space. Stockmann has succeeded in carrying out the extensive project without disrupting the department store's profitability and sales. The capital expenditure for the enlargement part of the project is estimated to be about EUR 190 million.

During 2007, the Stockmann Beauty chain expanded by opening stores in Joensuu, Lappeenranta and Rovaniemi. At the end of 2007, the chain had a total of sixteen stores. Stockmann is studying the possibilities of expanding the Stockmann Beauty chain to new cities during 2008.

Franchising operations expand

Many western companies are showing growing interest in Stockmann's Russian market savvy. Cooperation based on agreements with selected partners in Russia is part of Stockmann's expansion strategy, which spawned 14 new stores in 2007.

The successful cooperation with Bestseller, a partner for many years now, is continuing. The Jack & Jones, ONLY, Vero Moda, Pieces and Selected brands have firmly established their position among style-conscious Russians. In 2007, Stockmann opened eight Bestseller stores in different parts of Russia. Stockmann now has a total of 18 Bestseller stores in Russia.

The first Stockmann Nike stores were opened in Russia in February 2007. In the partnership between Stockmann and Nike, full use is made of Stockmann's wide expertise in the retail trade and Nike's know-how within sports products. Stockmann now has six Nike stores in Russia. During 2007, Stockmann established three Nike stores in St Petersburg and a store in Nizhny Novgorod, Novosibirsk and Rostov-on-Don.

In coming years, Stockmann is seeking to open numerous new Bestseller and Nike stores in Russia.

An Academic Bookstore opens in Oulu

In mid-October Academic Bookstore returned to Oulu after a lapse of ten years. The 800 square metre bookstore in the Stockmann department store in Oulu will operate on the full-service concept of the other Academic Bookstores, bringing customers a rich selection of books and magazines from different parts of the world as well as quality paper, office and artist's supplies.

The Academic Bookstore offers about 100 000 works, and its product register contains over four million works from 10 000 different publishers in 30 languages. Finnish language titles account for just over 20 per cent of the selection offered and Swedish language titles for 11 per cent. Nearly 70 per cent of the titles are literature in a foreign language, most of which are in English. Many books and magazines in Finland are available only from the Academic Bookstore. The Academic Bookstore did a complete remake of its online bookstore www.akateeminen.com towards the end of 2006. The upgrade brought a multiple increase in the online store's selection, which rose to four million works.

Loyal Customer Cards with a credit facility become MasterCards

Stockmann pioneered patronage systems in Finland when it started its own Loyal Customer activities in 1986. Over the years, Stockmann has fostered a close relationship with Loyal Customers through monthly offers of interesting and timely benefits and by mailing a Loyal Customer catalogue to their home address. There are now already 1.6 million Loyal Customers in Finland, Russia and the Baltic countries.

A share option programme for Loyal Customers was launched in Finland in 2006. According to the terms of the options, just over 54 000 customers will receive share options to buy Stockmann shares on the basis of the purchases they made in 2006 and 2007.

The credit facilities of Stockmann's credit line Loyal Customer Cards will converge with those of the international MasterCard during 2008 in Finland and Estonia, as well as in Latvia where Stockmann has previously not offered a Loyal Customer Card with a credit facility. In addition, Stockmann has made an agreement with Citibank on an international MasterCard to be issued to Loyal Customers in Russia. Stockmann has not previously had a Loyal Customer Card with a credit facility in Russia, either. The new credit card will be

Shopping experiences that go beyond expectations.

Crazy Days keeps breaking records year after year.

launched there in March 2008. In Finland, the new credit card will go into use in spring 2008, and in the Baltic countries, towards the end of 2008.

All the customer benefits of the present credit-line Loyal Customer Cards will be retained in full, with more benefits to come. In addition, Loyal Customers will receive the versatile benefits of the international payment card free of charge. In future, prime customers will retain the privilege of having an Exclusive Loyal Customer Card that offers additional benefits. The cards can also be provided with a payment card facility like the one on present-day bank cards. Stockmann's cash card will remain in use just as before.

At the end of 2007, there were a total of over 660 000 credit-line Stockmann accounts in Finland and Estonia.

Crazy Days rack up another sales record

Stockmann's Crazy Days are Europe's largest and best-known department store campaign. Crazy Days are run as a four-day campaign at all the Stockmann department stores twice a year. A new sales record for Crazy Days, EUR 120 million, was racked up again in 2007. The sales figures a year ago were topped in Finland, Russia and the Baltic countries.

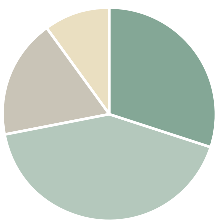
2008 set to be a year of energetic development and growth

In international comparisons, Stockmann's department stores rank high in profitability. The Department Store Division has succeeded in increasing its sales by about 50 per cent over the past five years. Concurrently, the gross margin has improved from 40.2 per cent to 41.7 per cent. During the five-year period, a total of EUR 336 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 18 per cent. It is expected to remain good in future years as well. The Department Store Division continually seeks to improve its relative gross margin.

Growth in consumption demand is expected to hold up well in 2008 in the entire area where Stockmann's Department Store Division operates. In Finland, consumer demand is forecast to be around 2-4 per cent. Growth is likely to slow down slightly in the Baltic countries and Russia but nevertheless to be faster than in Finland.

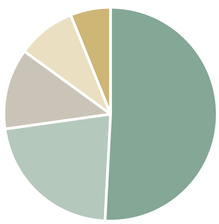
The Department Store Division's objective is to improve its operational result in 2008. The Department Store Division is investing heavily in establishing new stores. It has a clear-cut and very successful concept that can be deployed in new localities and market areas. The start-up costs for new stores initially weaken the Department Store Division's earnings, but they bring Stockmann long-term growth in future years.

DISTRIBUTION OF THE DEPARTMENT STORE DIVISION'S SALES BY UNIT 2007



30% Helsinki department store
42% Other units in Finland
18% Russia
10% Baltic countries

DISTRIBUTION OF THE DEPARTMENT STORE DIVISION'S SALES BY MERCHANDISE SECTOR 2007



51% Fashion
22% Food
12% Leisure
9% Home
6% Books, publications, stationery

Lindex, Stockmann's new Group company, is one of Northern Europe's leading fashion chains. It has 346 stores in Sweden, Norway, Finland, the Baltic countries and the Czech Republic. Lindex's business idea is to offer inspiring, affordable fashion. The assortment contains a variety of concepts in women's wear, lingerie, children's wear and cosmetics products. Lindex stores are characterized by a unique feminine feeling.

A new fast-growing Group company

In step with robust economic growth and increased consumption, clothes sales continued to grow in 2007 in all the countries where Lindex operates: in Sweden, Norway, Finland, the Baltic countries and the Czech Republic. In Sweden, which is Lindex's largest market area, the market grew in both value and volume terms for the fourth year running. Aggregate sales of clothing rose by 2.4 per cent in Sweden during the year.

The Lindex Group's sales in 2007 totalled EUR 704.9 million. Lindex became a Stockmann Group company on December 5, 2007, from which date it is included in Stockmann's consolidated financial statements. Sales from December 6, 2007 to December 31, 2007 were EUR 68.1 million and operating profit for the same period was EUR 15.0 million.

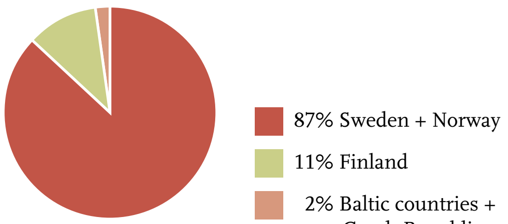
Lindex's different market areas are fairly similar in structure, consumer habits and shopper behaviour. Consumption is centred in densely populated areas and in shopping centres on the outskirts of large cities.

KEY FIGURES

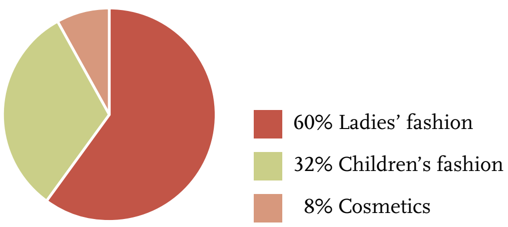
Lindex, *EUR mill.*	2007
Sales*	68.1
Proportion of Group sales, %*	4.1
Operating profit*	15.0
Investments	853.1
Staff, December 31	4 644
Number of stores	346

* *Lindex as from December 6, 2007*

DISTRIBUTION OF LINDEX'S SALES BY GEOGRAPHICAL SEGMENT 2007



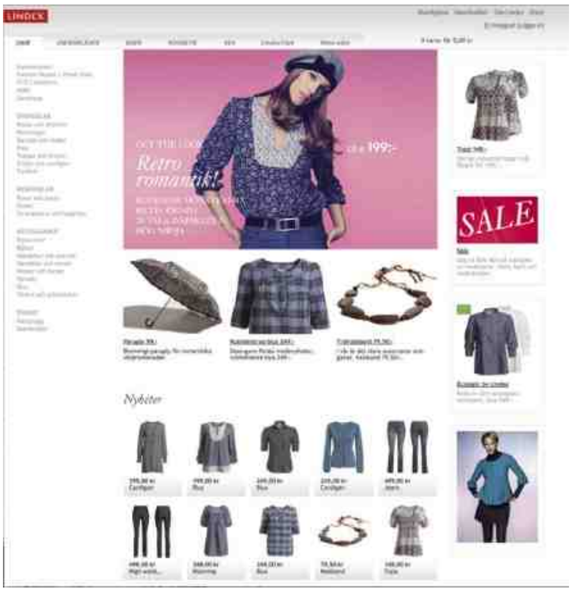
DISTRIBUTION OF LINDEX SALES BY MERCHANDISE SECTOR 2007



Lin dex

In recent years, top fashion model Emma Wiklund has personified Lindex's image and given the chain's campaigns excellent visibility.

An important step in Lindex's entry into the Central European market was the opening of its first store in the Czech Republic. In Brno, the country's second largest city, the grand opening ribbon was cut by Lindex's CEO, Göran Bille, and by store manager Lenka Streit.



Towards the end of May, the Lindex Shop Online site was opened in Sweden, offering about 70 per cent of the chain's assortment.

Competition in the fashion retail trade is tough. Lindex's main competitors are especially other fashion chains, department stores and speciality stores, but also, to some extent, supermarkets and distance retailers.

Fashion: the guiding star

Lindex operates with a variety of concepts in women's wear, lingerie, children's wear and cosmetics. Over the year, an increased level of fashion, broader collections and a high rate of innovation have further strengthened Lindex's position as a seller of women's wear, particularly in Sweden and the Baltic countries.

The lingerie sold by Lindex stores are the company's own labels and leading branded products. For years now, Lindex has been the uncontested market leader in lingerie, socks and hosiery in the Nordic countries, with a market share of about 20 per cent. Lindex has great potential in new market areas, and the objective is for Lindex to be, in all its market areas, the obvious choice when buying lingerie.

Sales of children's wear showed very positive growth during the past year. Especially strong was the growth in sales of girls' and babies' clothes, thanks primarily to compelling collections, a broad assortment and the good business climate.

Improved delivery precision

A more flexible sourcing and distribution process stepped up Lindex's goods flow significantly in 2007. Delivery times shortened, delivery precision improved, the inventory level declined and the stock turn rate rose. This was achieved through improved cooperation with suppliers, improved monitoring systems and by having the purchasing offices in the production countries take greater responsibility.

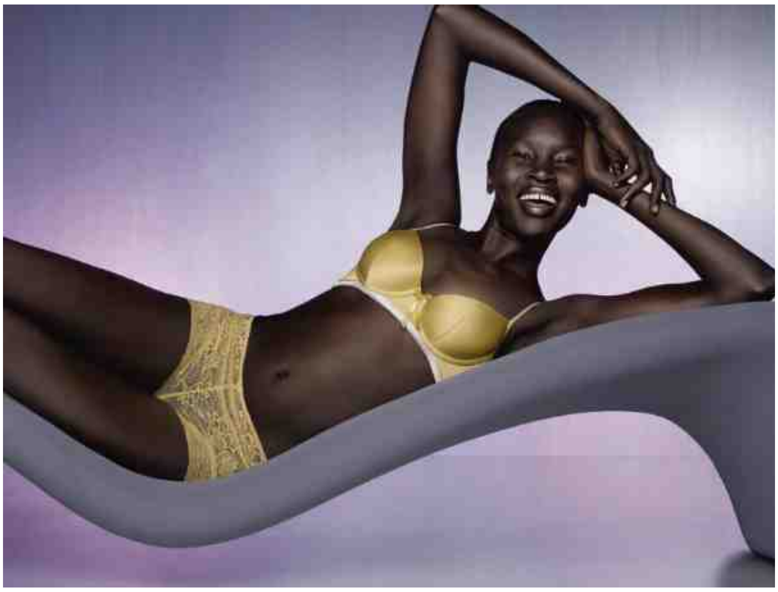
In 2008, Lindex intends to improve further the delivery precision of the products it supplies to its stores. Now that the new distribution centre in Gothenburg has become operational at the turn of the year, the company will be able to track the whole goods flow. This will boost the cost-effectiveness of merchandise sourcing and at the same time increase the flexibility of deliveries, whilst affording scope for stores with differing clienteles.

In recent years, Lindex has striven continually to improve its assortments and to trim product volumes. The proportion of products sold at a discount has thus diminished and Lindex has been able to sell a greater part of its products at full price, enabling the company's gross margins to remain stable throughout the year.

During the past few years, outlays have also been made on improving cost management. Reduced use of air freight, more detailed specifications of product volumes and higher-efficiency in-store work have contributed to cutting costs. Lindex has thereby also succeeded in reducing its environmental impacts. However, due to establishing new stores and investing in the store concept the costs grew slightly in 2007.

The Lindex Shop Online was launched in spring 2007. The online shop offers about 70 per cent of the normal product range, and sales have come up to expectations. Online sales are the fastest-growing segment of the retail trade.

World-class fashion experience.



Of late, Lindex has devoted a great deal more effort to the quality of its marketing, not least in its successful advertising campaigns. The December campaign revolved around international supermodel Alek Wek.

Two new countries

During the year, Lindex opened 11 new stores, most of them in Sweden. Lindex now has a total of 346 stores in seven countries.

In April 2007, Lindex opened its first store in Lithuania, giving it a presence in all the Baltic countries. Sales in the Baltic area have shown a very favourable trend, and in the years ahead the objective is to open another six to eight stores a year in the Baltic countries. At the same time, Lindex is continuing to invest in Central Europe. In September, the first Lindex store was opened in the Czech Republic. Both the Baltic countries and the Czech Republic are in geographical areas where retail clothes sales are today growing fastest of all.

Lindex stores are the primary marketing channel for the company. The appearance and design of the stores are a central element in determining how Lindex fashion is perceived. The aim is to create a total experience that strongly supports the Lindex fashion image.

In 2007, an energetic effort got under way to modernize and reinvigorate the stores in Norway. Most of the Lindex stores in Norway will be upgraded over a three-year period. Customers and the staff have given the new look a very positive reception, and it has clearly strengthened Lindex's product image.

Personnel and organization

A company in the fashion trade must have the knack of sell-renewal and fast decision-making day after day. Lindex seeks to be a company that responds swiftly, a company where initiatives are set in motion and decisions taken close to the customer and the product.

The continuous development of operations and employee training are of key importance for Lindex's success. Training is carried out for the most part internally. A major emphasis during the past year has been on training those who work with purchasing. The chief aims have been to improve business acumen, find shortcuts in the purchasing process, reduce lead times, ensure delivery accuracy and reinforce the level of fashion in Lindex products.

Going for profitable growth

Lindex is seeking to continue growing profitably, and the objective in 2008 is an improvement in operating profit.

Growth will be driven by a continuous development of the assortment and business operations as well as by expansion in both present and new markets. The company plans to open 20-25 new stores during the next two years, half of which are in the Nordic countries and half in the new market areas in the Baltic countries and Central Europe. Now that Lindex is part of the Stockmann Group, the Russian market lies open to it. We are confident that the Lindex concept will work well in Russia, and plans call for opening the first stores there in the latter half of 2008.

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

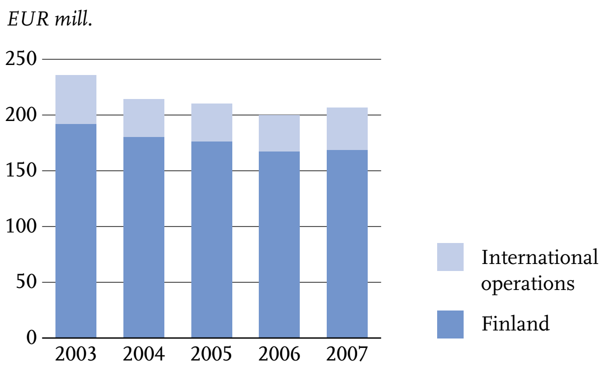
A year of big changes

The Hobby Hall Division's sales were EUR 206.5 million, up 3 per cent on 2006. Revenue was EUR 171.7 million. Operating profit was EUR 5.7 million. Owing to changes resulting from the upgrade of the enterprise resource planning (ERP) system and expansion into new markets, operating profit fell below the figure a year ago.

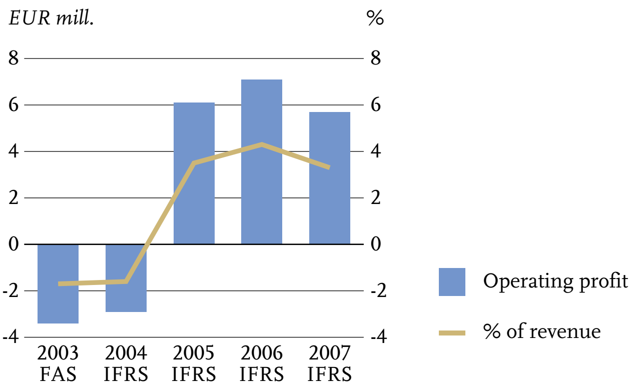
A strong market position

Hobby Hall's sales in Finland rose by one per cent and were EUR 168.5 million. The upgrade of the ERP system posed numerous challenges for customer service, particularly in Finland, and slowed down the increase in telephone orders. Of the product areas, sports and leisure articles as well as televisions and digiboxes turned in the best sales growth. Hobby Hall remains the market leader in distance retailing in Finland, and at the same time profitability has held up well.

DEVELOPMENT OF HOBBY HALL'S SALES 2003-2007



DEVELOPMENT OF HOBBY HALL'S OPERATING PROFIT 2003-2007



KEY FIGURES

Hobby Hall, *EUR mill.*	2007	2006	change %
Sales	206.5	199.8	3
Proportion of Group sales, %	12.4	12.0	
Operating profit*	5.7	7.1	-19
Return on capital employed, %*	6.5	7.7	
Capital employed	88.1	91.7	-4
Investments	3.5	3.2	
Staff, December 31	671	638	5

* *including other operating income*

Hob
by
Hall

Hobby Hall's zippy casual style.

Hobby Hall launched sales in Russia at the end of the year.

Hobby Hall's online shoppers can zoom in on many of the products to pinpoint details and rotate them. Online sales in Lithuania got started in February.

Hobby Hall's online sales in Finland increased by 37 per cent and the number of unique visitors to Hobby Hall's Finnish website grew by 9 per cent. Online sales accounted for 66 per cent of distance retailing in Finland, compared with 47 per cent a year earlier. Hobby Hall's online shoppers are predominantly women. Men's proportion within new customers is on the rise.

In Finland, Hobby Hall has two stores whose task is to support distance retailing. They are located in Tammisto in Vantaa and in the Arabia district of Helsinki. In spring 2007, the Tammisto store was given a new look with the aim of improving customer service.

Operations expand to Lithuania

Sales in the Baltic countries came to EUR 38.0 million, up 17 per cent on the previous year. Sales of sports and leisure articles as well as interior decorator products for the home showed particularly strong growth.

Online sales continued their robust growth in Estonia, though the pace slowed compared with the previous year. The number of unique visitors to Hobby Hall's website in Estonia was on the same level as in the previous year and online sales in Estonia increased by 9 per cent. Online sales already accounted for 40 per cent of distance retailing in Estonia.

Hobby Hall has offered online shopping in Latvia for over a year now, and it has brought new customers, whilst boosting sales in Latvia. Online sales account for 12 per cent of distance retailing in Latvia.

After a pause of a couple of years, Hobby Hall returned to the Lithuanian market in February 2007. Online sales were also started there at the same time as catalogues were sent out. Thanks to a more cost-effective operating concept, earnings targets were topped in 2007.

In the Baltic countries, Hobby Hall has one store, located in Rocca Al Mare in Tallin, that supports distance retailing.

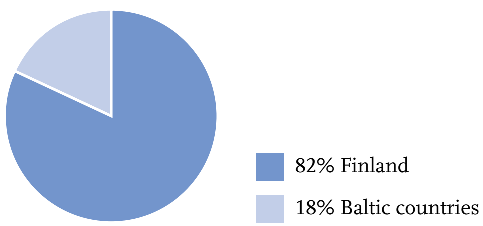
Online sales launched in Russia

Online sales got started in Russia towards the end of the year, in parallel with the first distribution of catalogues to part of Stockmann's Loyal Customers and to selected residential areas in St. Petersburg and Moscow. A customer service department was set up in St. Petersburg to take in orders and answer enquiries. Logistics were outsourced to a Russian partner.

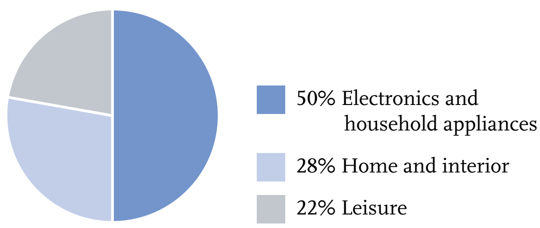
Sales were launched mainly with products for the home, and the market area was confined to Moscow and St. Petersburg as well as their nearby areas. Operations got under way with a fairly compact assortment and a limited market area in order to gauge how well the entire process works.

Delays occurred in sending out packages due to the year-end congestion in cross-border transports and to the work of

DISTRIBUTION OF HOBBY HALL'S SALES BY GEOGRAPHICAL SEGMENT 2007



DISTRIBUTION OF HOBBY HALL'S SALES BY MERCHANDISE SECTOR 2007



Hobby Hall already operates in five different countries.

Digi-Boxes were one of the year's hottest-selling products.

integrating information systems with those of partners. This meant that sales did not begin to roll in until mid-December. During 2008, both the product assortment and market area will gradually be expanded.

Upgrade of the ERP system

A new enterprise resource planning (ERP) system went into operation in April 2007. According to the original schedule, the system was to be up and running in summer 2006, but because of the extent of the project as well as careful testing and training, the completion deadline was moved forward by almost a year.

The new system brought major changes to areas such as billing and customer service. Despite pre-commissioning testing, bugs cropped up after the system was in operation. These glitches and the change in billing practice led to a significant customer service overload. Hobby Hall responded swiftly to this. It hired 17 new employees for customer service in Finland, at the same time implementing other new methods and development measures.

The new ERP system offers many new features that enhance customer service, reduce work, cut costs, improve the transparency of processes and bring greater versatility to marketing communications.

The reporting system was overhauled, and the reporting development project will continue during 2008.

High-visibility marketing

Alongside catalogue distribution and online advertising, Hobby Hall invested in TV advertising. In the early part of the year, Hobby Hall gained visibility through the Salatut elämät (Hidden Lives) TV-series, whose actors and actresses also appeared at Hobby Hall's Loyal Customer evening and as models in the spring catalogue.

In the autumn, Hobby Hall was a sponsor for the Big Brother series, which had footage showing interior decorator products, household goods and furnishings from Hobby Hall's assortments. When the series ended, the products were sold, and the proceeds went to a charity.

Human resources development

At the end of 2007, Hobby Hall had a payroll of 671 employees, of whom 12 per cent worked abroad.

A special aim of the training programme was to strengthen the staff's mastery of systems and to improve their language proficiency.

The supervisor training that was started in 2005 was continued by offering job well-being units and training in the division's management committee work. The training programme will continue in spring 2008.

A workplace atmosphere study was carried out in the early spring, and the results obtained have been utilized in the company's development plans.

Targeting profitable growth and continuous development

Hobby Hall's objective in 2008 is to boost its sales profitably, whilst improving operating profit and the return on capital employed. Growth will be sought above all in new markets: Lithuania and Russia as well as Sweden in the latter part of the year.

An upgraded online shopping site will go into use during the spring, and it is expected to give further impetus to online retailing. The cash register systems and telephone systems will be modernized with a view to improving service. Ways of utilizing the information produced by the customer relationship management system are being developed, and new analysis models will be introduced.

Another significant upcoming change is the removal of Hobby Hall's head office from its present facilities in Hämeentie, Helsinki, to a new office building in the district of Käpylä. The removal is scheduled for the early autumn 2008.

Seppälä is Finland's most extensive chain of fashion stores. In addition to the 128 stores in Finland, Seppälä operates in Russia, Estonia, Latvia and Lithuania. The 187 stores in the chain 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.

Energetic expansion and excellent earnings

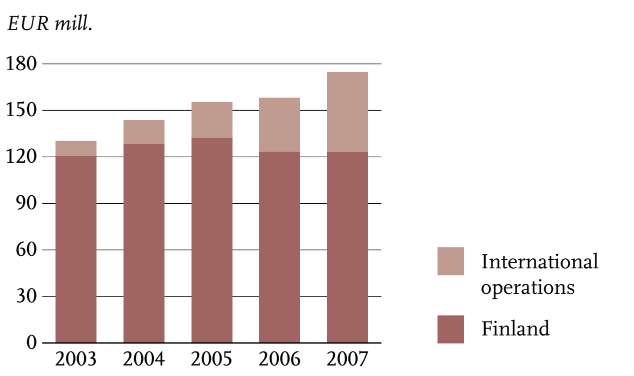
Seppälä reported sales in 2007 of EUR 174.7 million, an increase of 11 per cent on the previous year's figure. Revenue was EUR 145.1 million. Sales in Finland were on par with last year, and sales at units abroad grew by 49 per cent. Sales abroad were lifted not only by new stores but also by the good increase in like-for-like sales in all the countries where the chain operates.

Sales of accessories and children's clothes showed the best growth of all the product areas. The relative gross margin improved further and the proportion of visitors making purchases increased in all markets.

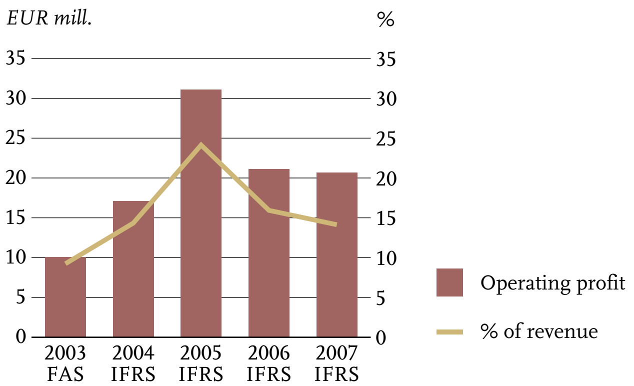
Despite the costs of energetic expansion, operating profit in 2007 was again excellent: EUR 20.7 million, or 14 per cent of revenue.

Seppälä's profitability is at the level of the best international fashion chains, as it has been for several years now.

DEVELOPMENT OF SEPPÄLÄ'S SALES 2003-2007



DEVELOPMENT OF SEPPÄLÄ'S OPERATING PROFIT 2003-2007



KEY FIGURES

Seppälä, *EUR mill.*	2007	2006	change %
Sales	174.7	158.1	11
Proportion of Group sales, %	10.5	9.5	
Operating profit	20.7	21.1	-2
Return on capital employed, %	67.3	91.6	
Capital employed	30.8	23.0	34
Investments	9.3	6.1	
Staff, December 31	1 510	1 332	13
Number of stores	185	169	9

Seppälä

Seppälä invited Jorvi Hospital staff members to take part in the autumn campaign. Posing here is Kaisa H., a Supermodel of Her Own Life.

Seppälä opened 11 stores in Russia in 2007. Shown here is the stylish store that was opened in the June shopping centre in St Petersburg in May.

The emphasis in Spirit sales training was on a superior customer experience. The whole sales staff took part in it. In Tampere, Minna Outi shows the way (at the left).

New stores opened in Finland and Estonia too

Although Seppälä already has a store in nearly all localities in Finland with a population of over 15 000, and several stores in the largest cities, two new stores were opened in Finland in 2007: one in Tampere and the other in Kerava. Both of these stores, just like all the new stores that were opened abroad in 2007, embodied the new store concept that seeks to provide a richer shopping experience.

Correct siting is important. In 2007, more than ten stores in Finland moved to a better location and at the same time revamped their look.

Seppälä has operated for over ten years now in Estonia. There too Seppälä has a fairly large network of stores. Fashion is selling ever more strongly in Estonia, along with the retail trade in general. This means that still more new stores can be opened in Estonia. A second Seppälä was opened in Pärnu in May–June, bringing the store count in Estonia to 15.

During 2007, an upgrade of the cash register system was carried out at the stores in Finland and Estonia, and it was completed in October.

Building chains in Latvia and Lithuania

Seppälä's objective is to achieve a position as a nationwide fashion chain in the other Baltic countries as well. Seppälä has been in Latvia since 2003, where it now operates nine stores. Lithuania is the newest country Seppälä has entered. Operations got started there in 2005, and in 2007 a third store was opened in Vilnius and a second store in Kaunas. Seppälä now has seven stores in Lithuania.

Strong expansion in Russia

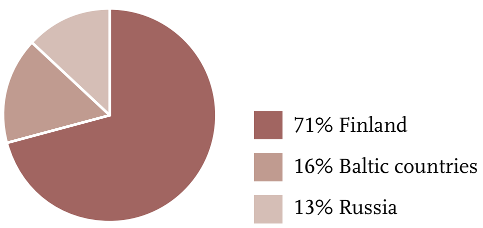
The greatest growth potential for Seppälä is in Russia, where 11 new stores were opened in 2007.

Seppälä began operations in Moscow in 2004 and the next year went on to St Petersburg, where it already has ten stores. During 2006 stores were opened in other million plus cities in Russia as well – in Kazan, Nizhny Novgorod and Ekaterinburg – and Samara and Rostov-on-Don, also million plus cities, welcomed their first Seppäläs in 2007. The first store in Siberia was opened in November 2007 in Novosibirsk, Russia's third-largest city and Siberia's administrative centre.

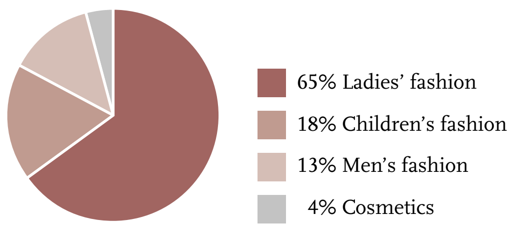
Seppälä staked out new territory in 2007 by starting operations in cities with a population of less than one million. A store was opened in Yaroslavl in May and in Voronezh in August, both of which have been good bets. Based on these results, the Seppälä chain can be expanded further to Russian cities smaller than the twelve with a population of over a million. The lower limit, however, is half a million. Russia has 40 such cities.

Sales and profitability in the Baltic countries and Russia have met expectations. The share of foreign countries within Seppälä's sales rose to 30 per cent, from 22 per cent a year earlier. Despite the costs of opening a total of 14 new stores abroad, the result in all market areas was in the black in 2007.

DISTRIBUTION OF SEPPÄLÄ'S SALES BY GEOGRAPHICAL SEGMENT 2007



DISTRIBUTION OF SEPPÄLÄ'S SALES BY MERCHANDISE SECTOR 2007



Each of us can be our own supermodel.

Anu K., a Supermodel of Her Own Life,
presented the Great Girls collection in April advertising.

The drivers of success

Seppälä's collections are inspired by its own designers, who have a good feel for trends and changes in fashion. Drawing on these trends, they create Seppälä's unique collections. The drivers of Seppälä's success are a knowledge of customers, a keen eye for the differences from one market area to the next, a mastery of product categories and a flare for fashionable products. Seppälä must be capable of responding swiftly to the customer's expectations and to keep offering something new, time after time. New products and stock top-ups come into Seppälä's stores in Finland and the Baltic countries five days a week.

Seppälä sparks an interest in enjoying fashion

Seppälä's core promise is to make people look stylish and well-groomed in their own way. Seppälä believes that fashion is not just for the young, and that is why it invited the staff of Jorvi Hospital along to take part in the autumn 2007 campaign. The objective of the hit campaign was to further highlight Seppälä's fashion palette and to encourage people to enjoy fashion with their own style.

Encouraging people to enjoy fashion is Seppälä's way of doing things, and it is reflected clearly not only in campaigns but in all dealings with customers. In the stores, customers are given ideas mainly by showing them complete outfits. By selling these, Seppälä bolsters one of its most important key ratios: average size of purchase.

Although Seppälä operates primarily by using the self-service concept, excellence is the objective set for the personal service situation: service that outdoes competitors and exceeds the customer's expectations. Training for the sales staff occupies a central role in achieving this objective. The training events in 2007 were run with the same content and at the same time in all the countries where Seppälä operates.

Now that Seppälä has grown and expanded to new markets, there is an increased emphasis on training the sales staff in visual marketing and monitoring the results achieved. Centrally directed regional visualist activities covering all markets were started in 2007.

In addition to stores, Seppälä's website – which was redone in late 2006 – has become an important meeting place for customers. Following the remake, over 15 per cent of Finns, or about 800 000 unique visitors, have browsed Seppälä's Internet pages. The visitors to the website have proved to be very good patrons: 70 per cent of them visit Seppälä's website nearly every week. Thanks to the Supermodel of My Own Life concept and the possibility of applying for a modelling opportunity via the website, the Seppälä Internet pages have become a hot topic among fashion-conscious young people. Over 7 700 people have expressed their interest in being a model in Seppälä's advertisements, in which about a hundred Finns have appeared during the year.

The Federation of Finnish Textile and Clothing Industries gave Seppälä an honourable mention for its Supermodel of My Own Life concept in the federation's "Finnish Fashion Action of the Year" competition. To qualify as fashion action of the year, an entry must strengthen the image of the Finnish textile and clothing industry, awaken positive discussion and make the Finnish textile and garment trade well known in a personal way.

Pressing ahead for growth in 2008

Seppälä still has a good deal of growth potential in Finland, Russia and the Baltic countries, and possibly also in other countries in Eastern Europe. The work of establishing new stores and upgrading each store's look in line with the new concept is continuing in Finland and Estonia. Seppälä is scouting for new commercial locations in Latvia, Lithuania and especially in Russia, where the market offers the biggest growth opportunities. In Russia, new stores will be opened both in communities where present stores are located and in new cities.

In 2008, the target is to open a total of 10 – 15 new stores in the countries where Seppälä currently operates.

Notwithstanding its energetic expansion, Seppälä is sticking to its target of maintaining an excellent level of profitability and improving operating profit in 2008.

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 53 - 56 of the Annual Report and on the company's website at the address www.stockmann.com.

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 pre-emptive 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.

According to the Articles of Association, 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. Information on the members of the Board of Directors is given on page 12 of the Annual Report and on the company's website at the address www.stockmann.com.

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.com.

The Board of Directors met 13 times in 2007. The average attendance was 96 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 20, 2007, the Board of Directors elected Christoffer Taxell, LL.M., as the new chairman of the committee; and re-elected Erkki Etola, managing director; Eva Liljeblom, professor; and Henry Wiklund, managing director, as the other members of the committee. The chief executive officer has the right to attend meetings of the committee. The committee met twice during the financial year 2007.

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, the chief financial officer 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, Lindex, Hobby Hall and Seppälä. The directors of the divisions report to the chief executive officer and are members of the company's Management Committee.

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, as well as 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. Information on the members of the Management Committee is given on page 13 of the Annual Report and on the company's website at the address www.stockmann.com.

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, after which they have been examined annually. They are reported in detail on page 35 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. The Annual General Meeting of 2007 elected Jari Härmälä, Authorized Public Accountant, and Henrik Holmbom, Authorized Public Accountant, representing KPMG, a firm of authorized public accountants, as regular auditors and KPMG Oy Ab, Authorized Public Accountants, as the deputy auditor. As auditors for the company's subsidiaries in different countries have acted member firms of the KPMG network of independent firms located in the countries in question. 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 2007 financial year totalled EUR 111 202 for the audit of the parent company and a total of EUR 513 608 for the audit of the Group. In addition, KPMG was paid EUR 630 291 for non-audit services for the whole Group.

Corporate Social Responsibility

Corporate social responsibility is part of Stockmann's normal long-term operations. Attending to corporate social responsibility and its related development work within the Group are guided by the Corporate Social Responsibility Steering Group of eight, which is headed by the Group's CFO. The steering group is made up of representatives from all the divisions and major functions. The Corporate Social Responsibility Coordinator who works at Corporate Communications plans and carries out development work related to corporate social responsibility and cooperates in this with the persons attending to corporate social responsibility matters in the divisions.

Management's remuneration and other benefits

The Annual General Meeting passes resolutions on the remuneration paid to the members of the Board of Directors. For the financial year 2007, according to the resolution passed by the Annual General Meeting held on March 20, 2007, a fixed emolument of EUR 70 000 was paid to the chairman of the Board of Directors, EUR 45 000 to the vice chairman and EUR 35 000 to each of the other members of the Board of Directors. About 50 per cent of the annual emoluments were paid in the form of the company's shares and the remainder in cash. A meeting fee of EUR 500 per Board meeting was paid to all the members of the Board of Directors. For the 2007 financial year, the members of the Board of Directors were paid cash emoluments totalling EUR 210 522.98 and share emoluments of 3 574 of the company's Series B shares. The value of the emolument paid was a total of EUR 327 500. Emoluments paid to the members of the Board of Directors during the financial year 2007 are presented on the company's website.

The total amount of the salary, emoluments and fringe benefits paid to the chief executive officer in 2007 was EUR 799 766.55, of which fringe benefits accounted for EUR 17 220. 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 is 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 was tied to the realization of the Group's development in accordance with its long-term strategy, and its benchmarks were 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 was assessed in two-year periods. In 2007, a total of 9 769 Stockmann Series B shares and EUR 533 094.33 in cash were paid to the members of the Management Committee on the basis of the attained aggregate targets in 2005 – 2006. With the expiry of the share bonus scheme at the end of 2006, a new scheme has not been introduced, but instead, the 2006 share option scheme mentioned below will function as a long-term incentive system. 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 subscription period for the shares with share options 2000 ended on April 1, 2007. The Annual General Meeting held on March 21, 2006, passed a resolution on a new key employee share option programme, which is part of the incentive and commitment-building scheme for management. Information on the option schemes is given on pages 50 – 51 and 53 – 54 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 www.stockmann.com covering information on the persons in the register as well as up-to-date information on their holdings and the holdings of their related persons.

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. OMX Nordic Exchange Helsinki has 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. To achieve the goals the risk management at Stockmann is organized such that

- it is part of normal business operations and management
- it is a process of identifying, assessing and managing business risks that can prevent or jeopardize the achievement of business goals.
- it 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, fraud and abuse, security and insurance policies.

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.

The Board of Directors sees to the due and comprehensive supervision of accounting and financial management according to the Finnish Companies Act. The Board also confirms the company's long-term strategies and financial goals.

In accordance with the recommendation on the Corporate Governance of listed companies, the Board confirmed the company's risk management principles in June 2004.

The chief executive officer sees to it, according to the Finnish Companies Act, 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 head of Group Consolidation, reports on its observations and recommendations to the company's Management Committee.

Business risks are managed by taking out voluntary insurance policies in accordance with the confirmed principles of providing insurance cover. The Stockmann Group's insurance function is handled centrally by the company's director of legal affairs, who is responsible for seeing to it that the principles of providing insurance cover are observed at all Group units. In addition, the insurance company carries out regular insurance inspections of the insured items and sites in order to ascertain that the company has appropriate insurance cover. Responsibility for statutory personal insurance has been assigned to the Group's personnel administration unit.

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.

Lindex has its own risk management system, which will be integrated into the Stockmann Group's risk management system.

Corporate social responsibility

Stockmann's core values together with the company's management and operating procedures underpin responsible operations. Responsibility is one of the Stockmann Group's six core values, and corporate social responsibility is part of Stockmann's normal long-term operations. The focuses of Stockmann's corporate social responsibility are our own staff, the environment, product safety and far-reaching integrity in overseas sourcing.

Attending to corporate social responsibility and its related development work within the Group are guided by the Corporate Social Responsibility Steering Group of eight, which is headed by the Group's CFO. The steering group is made up of representatives from all the divisions and major functions. The group is a coordinating expert organization whose task is to see to it that the divisions achieve the sought-after level of social responsibility confirmed by the Management Committee and implement the confirmed policies at each business division. The group prepares and updates corporate social responsibility principles for consideration by management and pursues a dialogue on responsible operations and their priorities, and it is responsible for obtaining reporting data as well as assessing how responsible operations are carried out across the entire Stockmann Group.

Practical operations are firmly anchored in the Group's core values, in the sought-after level of corporate social responsibility as approved by the Management Committee and in the various operating policies. Responsible operations are tracked principally by means of various sets of benchmarks for financial, environmental and social responsibility, through the use of environmental systems and environmental legislation surveys, by monitoring the quality of products and service as well as by audits of the supplier chain. Monitoring and development are also realized through Stockmann's active participation in the activities of national and international specialist bodies and organizations.

Scope of reporting

Stockmann is now publishing for the sixth time a corporate social responsibility section in its Annual Report. Stockmann wishes to tell its stakeholders openly about the company's social responsibility. In addition to the section on corporate social responsibility in the Annual Report, information on the subject is available on Stockmann's website, on its Intranet and in the personnel magazines.

The reporting covers the entire Group's operations. The reporting on corporate social responsibility has been compiled and written internally. The financial indicators have come from the statutory accounting records, and many of the key ratios for environmental responsibility have been verified as part of the process of gaining ISO 14001 certifications. In calculating key ratios, the same principles have been observed as in previous reporting years.

In compiling its financial statements, Stockmann observes the general guidelines issued by the Finnish Accounting Standards Board (KILA) concerning the recording, calculation and presentation of environmental compliance. The Global Reporting Initiative (GRI) benchmarks have been used, as appropriate, in selecting the gauges that are most essential for Stockmann's operations. The breakdown is in line with GRI's three-pillar concept, which views responsibility from the perspective of financial responsibility, social responsibility and environmental responsibility.

MILESTONES IN FURTHERING CORPORATE SOCIAL RESPONSIBILITY WITHIN THE STOCKMANN GROUP

1991	The Department Store Division launches the Group's first environmental project.
1992	Stockmann's Sesto convenience goods chain holds a "Green Year".
1994	Stockmann releases its first environmental values statement.
1996	Stockmann's Vehicle Division acts as a pilot site for the environmental programme of Finland's Central Organization for Motor Trade and Repairs (AKL).
	The Sesto stores carry out an environmental development project during 1996–1999.
2000	Stockmann is one of the founding members of SERTY, an association responsible for recycling waste electric and electronic equipment.
2001	The Helsinki department store launches an environmental system covering all the department store functions.
	Stockmann joins the Network to Advance Social Responsibility in Importing, an organization coordinated by the Central Chamber of Commerce.
2002	Stockmann carries out a Group-wide social responsibility project that brings a significant increase in the company's commitment in the area of social responsibility.
	The Group releases its new environmental policy, confirmed by Stockmann's Board of Directors.
	The 2002 Annual Report includes a section on corporate social responsibility for the first time.
2003	Stockmann's department store chain in Finland is certified according to the ISO 14001 environmental standard.
2004	Social responsibility is recognized as one of Stockmann's core values.
2005	Stockmann joins the European BSCI auditing cooperation organization.
	The Corporate Social Responsibility Planning Project gets under way and the target level of social responsibility is confirmed by the Management Committee.
2006	Stockmann is included as a component of the European Sustainable Development Index (SRI), which is compiled by the Kempen SNS Smaller Europe fund.
2007	Stockmann takes part in a development cooperation project focusing on Vietnam and involving audits of suppliers according to the BSCI model.
	Stockmann participates in the survey of corporate social responsibility reporting conducted by LTT Research Ltd, a business research consultancy.

Development in 2007

The development of activities linked to corporate social responsibility moved ahead in 2007 in step with the planned and confirmed policy lines. Many changes took place in environmental legislation and regulatory procedures during the year. These called for monitoring as well as planning and preparation for carrying them out in practice.

A nationwide system for returning deposit plastic bottles got started on January 1, 2008. The system is based on the Act on Excise Duty on Certain Beverage Packages and on the Govern-

FINANCIAL KEY FIGURES

		2007	2006
Revenue	EUR mill.	**1 398.2**	1 300.7
Operating profit	EUR mill.	**125.2**	129.5
Profit before taxes	EUR mill.	**119.4**	128.9
Dividends*	EUR mill.	**75.2**	72.1
Direct taxes	EUR mill.	**31.1**	24.3
Material and service purchases	EUR mill.	**791.2**	773.6
Salaries and emoluments	EUR mill.	**181.9**	167.9
Pension expenses	EUR mill.	**26.3**	24.4
Staff expenses	EUR mill.	**15.8**	12.3
Expenditure on staff training (excluding direct salary and wage costs)	EUR mill.	**1.2**	1.2
Average number of employees		**11 161**	10 069
Average number of part-time employees		**5 182**	4 729
Number of shareholders		**39 137**	40 198
Donations made	EUR mill.	**0.1**	0.1
Received employment contributions	EUR mill.	**0.3**	0.3

* Board proposal to the AGM

ment decree on a return system for certain beverage containers. The container deposit system was set up through the voluntary cooperation of the authorities and the shareholders of Suomen Palautuspakkaus Oy (PALPA). PALPA's task is to oversee the recycling of deposit beverage containers and to promote such recycling. The PET plastic (polyethylene terephthalate) used in returnable bottles is an excellent renewable raw material for many purposes. The aim of the system is to reduce waste accumulation and build-up at landfills or to bypass the use of such waste for energy production. During 2007, the process of starting up the recycling system and the preparations for it called for a good deal of spade work, equipment investments and system modifications as well as training of the personnel.

Towards the end of the year, Stockmann began the preparations required by the EU regulation on animal by-products for the collection of statistics on the amounts of raw and rendered animal by-product wastes and for carrying out self-monitoring in stores as part of the department stores' normal quality and environmental compliance work.

The EU's new REACH Chemicals Regulation (Registration, Evaluation and Authorization of Chemicals) came into force on June 1, 2007. Also in the drafting stage is a regulation on the implementation of a harmonized classification and marking system for chemicals, which is scheduled for completion in the early summer 2008. In autumn 2007, Stockmann set up a project group to study the extent to which the regulation will affect Stockmann's operations and the measures Stockmann must undertake to comply with it.

During 2007, safety issues emerged in connection with products that were on the market, such as toys. The retail trade has a central responsibility in preventing such products from reaching the market and for assuring customer safety. In the course of the year, Stockmann was among the companies that recalled faulty products and alerted customers.

First-class customer service and good customer satisfaction are important to Stockmann. Stockmann engages in an active dialogue with its customers and receives about 38 000 written customer feedback notes each year, in addition to which the stores daily receive customer feedback. Customers and consumers are increasingly interested in how Stockmann deals with environmental issues and want information on it. Queries on environmental matters are recorded in Stockmann's customer feedback system. Stockmann furthermore tracks customer satisfaction by means of various benchmarks.

In the autumn, Stockmann participated in the Environment & Corporate Social Responsibility 2007 reporting survey conducted by LTT Research Ltd. The survey focused on assessing how organizations carry out their external reporting on responsibility issues, i.e. the information presented in the Annual Report and on the Internet as well as the ability of the reporting and data collection system to produce information on financial, social and environmental responsibility. The aim of participating in the survey was to develop Stockmann's reporting and to obtain an independent body's view on the present state of the Group's reporting on responsibility issues and its development focus. The feedback and development ideas presented in the survey have been used in the 2007 reporting.

Financial responsibility

Financial responsibility means being responsible for expected returns on shareholder investments, offering permanent jobs to the employees, creating new jobs, paying taxes and, in general, promoting the prosperity of society at large. The retail trade plays its part in creating well-being and prosperity. Stockmann is a major employer and taxpayer, a big purchaser of products, a property developer, an investor and a partner in cooperation. Competitiveness and sound financial performance enable the company to promote the well-being of its personnel and society. Socially responsible operations, in turn, create a solid foundation for the Group's financial growth.

Stockmann is one of the components of the Kempen SNS Smaller Europe SRI sustainable development index that is maintained by the Dutch investment companies Kempen Capital Management and SNS Asset Management. The companies in the index are considered to operate in accordance with high ethical, social and environmental protection criteria.

Each year, Stockmann makes annual donations for the public good. The purpose of the donations is, at both national and local level, to support education, culture, social projects and charity, whilst furthering medical and other research.

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. In line with its environmental policy, Stockmann has given its commitment to promote and support the implementation of the principles of sustainable development in its business operations.

Stockmann is one of the founding members of SERTY, an association of companies in the electrical and electronics field. SERTY assists 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 have an old home appliance taken away and recycled when a new one is delivered.

Stockmann is a member of Environmental Register of Packaging PYR Ltd, which assists its member companies and the authorities in complying with the EU Packaging Directive and Finnish legislation. By entering into an agreement with PYR, a retail company transfers to PYR the liabilities the company bears for the packaging which it places on the market.

Department Store Division

All Stockmann's department stores in Finland have environmental systems certified according to the ISO 14001 standard. A certified environmental system guarantees a comprehensive approach to environmental compliance. Environmental work is carried out with the aim of reducing environmental loading. This is done principally by directing attention to preventing wastes from arising and by recycling wastes, boosting the efficiency of energy consumption and taking environmental factors into account in purchasing and assortment decisions. The department stores' environmental systems were built and certified in 2002 – 2003. The present certificate is in force up to October 2009. The ISO 14001 certificate is voluntary and demonstrates that Stockmann develops its environmental compliance over and above the minimum statutory level.

The certification granted by Bureau Veritas 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. About 5 000 people work in jobs falling within the scope of the certified functions. Internal and external scheduled evaluations as specified by the standard are carried out annually, and they provide verification as to whether operations meet the requirements under the standard. During 2007, internal audits were performed at all the department stores and at the office and warehouse facilities in Pitäjänmäki. Furthermore, external audits were made at the department stores in Helsinki, the Itäkeskus Shopping Centre and Tapiola as well as at the office and warehouse facilities in Pitäjänmäki.

With the setting up of environmental systems by the department stores, a total compliance scheme has evolved: it covers identification of the main environmental issues, preparation of instructions for dealing with environmental matters and the setting of goals. Responsibility for operations in accordance with the procedural instructions for environmental matters rests with all organizational levels. Along with the environmental systems, benchmarks for tracking environmental impacts have also been developed. The results and measures carried out in line with the objectives are assessed in management reviews each year.

In 2007, Stockmann's Department Store Division took part in Sustainable Management Tools for Supply Chains (SuMaTo), a data collection and self-monitoring project run by the Helsinki University of Technology and covering energy and waste management in the grocery trade. The objective of the project, which was funded by the Finnish Grocery Trade Association (FGTA),

When buying a new appliance, a customer of Stockmann and Hobby Hall can return the old one for recycling.

was to aid the participating companies by creating uniform tools for environmentally responsible management. It covered ways of collecting background information, the design of data collection systems, case studies as well as carrying out the development of self-monitoring instructions, training and information releases. Whilst taking part in the project, companies received clear-cut instructions on energy and waste-related matters as well as benchmarks for steering their operations. The project also made available to FGTA the body of real-time, reliable and comparable data for the safeguarding of interests, cooperation with the authorities as well as external communications in the retail field.

Ever since 2005, as part of the department stores' work to prevent wastes from arising, BioWare biodegradable serving boxes have been used in the Delicatessens of the department stores and at other counters that serve ready-to-eat meals. Beginning in the early months of 2007, pastry boxes too have been replaced with environmentally friendly compostable boxes. The Stockmann Delicatessen's wide assortment furthermore offers plenty of organic and Fair Trade products, and the department stores sell environmentally labelled products.

Hobby Hall

The focal point of Hobby Hall's environmental responsibility is the selection of packaging and catalogue materials, because each year the company purchases and consumes a large amount of packaging materials. In 2007, Hobby Hall dispatched 19 million catalogues and a total of 1.7 million packages to its customers. All catalogues and packaging are made from environmentally friendly, recyclable materials. Suppliers of materials must meet requirements concerning the materials themselves, and Hobby Hall continually keeps tabs on various packaging material alternatives. Environmental declarations have been obtained from all suppliers of packaging materials, and they are renewed if the supplier is changed. Recycled material is also used in the production of packaging material. Further steps that were taken in 2007 included doing away with envelopes and covering letters in mailing loyal customer catalogues, and printing part of the catalogues on lighter weight paper.

Hobby Hall's online sales have been rising for several years now, and in 2007 they reached 57 per cent of distance retail sales (43 per cent in 2006). This fast-paced growth is expected to continue. When the share of online sales increases, this helps to reduce the environmental loading caused by distance retailing, because customers order goods electronically instead of sending in coupons. As online shopping catches on, more and more products are being offered via the Internet, and it is estimated that there will be a gradual reduction in catalogue printing in the years ahead.

Hobby Hall's warehousing functions have been consolidated within the Viinikkala Logistics Centre. For a number of years now, Hobby Hall has succeeded in reducing the amount of packaging material – particularly cardboard – that is used at the warehouse. This has been done by increasing the volume of products dispatched in supplier-used packages and by employing combined packaging in orders for multiple products. 2008 will see a big increase in the number of product order-picking stations. The change will make possible improvements in combined packaging of products and step up the transport and handling of products along the transport chain as well, thereby helping to reduce environmental impacts. Hobby Hall does not have its own transport fleet, but all shipments to customers go via Itella Group (formerly Finland Post Ltd).

At Hobby Hall, the sorting and recycling of waste are also a chief focus of environmental work. The sortable fractions in warehouses and stores consist of energy, paper, cardboard and mixed wastes as well as waste electric and electronic equipment. Environmental loading has been reduced further in recent years by making more efficient use of waste compactors. Whereas a single emptying of a cardboard compactor produced 1.5 tonnes of waste in 2004, in 2007 the same compactor produced on average 4.5 tonnes of waste per time. The more efficient use of compactors brings big savings in waste transport costs and helps to conserve the environment. Sorting efficiency is monitored closely, and the personnel receive regular environmental training in order to maintain a good level of sorting.

Nationwide recycling of electrical and electronic waste fits in well with distance retailing. The policy enabling customers to return old electrical and electronic equipment when buying a new product covers the entire distance retailing operation in Finland as well as all Hobby Hall stores, including the store in Tallinn.

Seppälä

Environmental work throughout the extensive Seppälä chain is part of everyday operations, with a strong emphasis on staff contribution for preservation of the environment.

Seppälä aims to reduce its impact on the environment in a number of ways, such as by keeping an eye on new ways of sorting and recycling at all its stores in Finland. Most of Seppälä's stores in Finland are located in shopping centres, where there are well-established procedures for dealing with environmental issues and waste management. With the expansion of its network of stores abroad, in 2007 Seppälä carried out a survey of the recycling and sorting possibilities at its stores in the Baltic countries and Russia. The fundamental idea for compliance at stores abroad is to observe the local legislation and waste management practices. The survey indicated that not much attention has been paid to sorting and recycling in the Baltic countries and Russia, areas where the possibilities of sorting and recycling differ from those in Finland. The survey furthermore pointed to the fact that in all the markets, stores located in shopping centres are in the best position to improve their sorting capability. Yet even the stores in shopping centres have a long way to go in developing their sorting practices. Henceforth, Seppälä will also track the sorting and recycling possibilities of its stores abroad and seek to improve them.

Operating instructions for sorting and recycling have been prepared for the stores. With a view to reducing environmental loading, Seppälä has arranged regular training in sorting practices at its head office and logistics centre as part of its own programme for environmentally friendly office work. Recycling and sorting are performed according to plans, in which the staff's own responsibility is a key emphasis.

Environmental responsibility is also clearly evident in Seppälä's relationships with suppliers. Seppälä has prepared detailed partnership guidelines that deal with packaging, the use of chemicals and related issues. The aim of the guidelines is to avoid unnecessary product packaging and to influence how suppliers select packaging materials and packaging methods as well as to avoid the use of certain chemicals. These measures have also led to an improvement in product processing times and the inventory turn rate, and they eliminate unnecessary handling stages. The cooperation guidelines furthermore deal with responsible importing and Seppälä's efforts to promote it.

Lindex

Stockmann acquired Lindex, the Swedish fashion chain, in December 2007. For information on Lindex's environmental work and actions to promote responsible importing, readers are referred to the Sustainability Report on the company's website at www.lindex.com.

Waste management and energy

Energy consumption and waste are the most significant environmental aspects of the Stockmann Group's operations.

WASTE MANAGEMENT STATISTICS *tons*

	Department stores, Finland			Department stores, abroad			Hobby Hall*			Seppälä*			Total**		
	2007	2006	2005	**2007**	2006	2005	**2007**	2006	2005	**2007**	2006	2005	**2007**	2006	2005
Recyclable waste															
Energy waste	**1 233**	1 275	1 070	**1**	0	1	**59**	55	71	**28**	28	26	**1 320**	1 358	1 169
Cardboard	**1 945**	1 924	1 565	**502**	292	391	**290**	328	256	**350**	319	283	**3 087**	2 862	2 495
Paper	**183**	183	165	**0**	0	0	**29**	31	47	**47**	43	17	**259**	256	229
Plastic film, glas	**33**	12	5	**28**	25	0	**16**	13	8	**0**	0	0	**77**	50	14
Metal	**38**	40	39	**0**	0	0	**8**	10	10	**0**	0	0	**46**	50	49
Bio waste	**1 754**	1 769	1 513	**95**	77	170	**10**	10	8	**15**	14	4	**1 873**	1 870	1 695
Restwaste															
Mixed waste	**357**	332	324	**3 176**	2 614	3 109	**29**	9	22	**9**	8	5	**3 570**	2 962	3 460
Hazardous waste	**9**	5	10	**0**	0	38	**1**	0	2	**0**	1	7	**9**	6	56
Total	**5 552**	5 540	4 691	**3 800**	3 009	3 708	**440**	455	425	**449**	412	342	**10 241**	9 415	9 165
Waste utilization, %	**93**	94	93	**16**	13	15	**94**	98	95	**98**	98	97	**65**	70	62

Where accurate figures have not been available, the amounts have been estimated. Waste utilization, %= recyclable waste / waste in total x 100. Waste utilization= recycling of materials and utilization of its energy content.

* Hobby Hall's figures cover operations in Finland, Seppälä's figures cover Head office property and Goods Handling Centre.

** Exlusive of Lindex.

ENERGY CONSUMPTION	*Electricity (MWh)*			*Heat (MWh)*			*Water (m³)*		
	2007	2006	2005	**2007**	2006	2005	**2007**	2006	2005
Department Store Division, Finland	**61 224**	58 323	62 311	**19 073**	21 304	33 160	**119 253**	116 283	104 554
Department Store Division, abroad	**31 615**	23 517	39 638	**12 148**	4 485	7 620	**75 697**	58 867	61 115
Hobby Hall*	**4 553**	4 179	4 045	**3 321**	3 166	2 190	**3 381**	3 296	3 433
Seppälä*	**1 153**	1 318	1 234	**753**	799	574	**2 191**	2 120	2 668
Others	**839**	937	203	**328**	775	175	**783**	805	3
Total	**99 384**	88 274	107 432	**35 623**	30 528	43 719	**201 305**	181 371	171 773

* Hobby Hall's figures cover operations in Finland, Seppälä's figures cover Head office property and Goods Handling Centre.

Stockmann's CO2 emission in 2007 was approx. 40 750 tons.

The direct environmental impacts caused by Stockmann are minor. Although the Group's operations do not burden the environment to a great extent, continuous development, waste sorting and improvement of energy efficiency all contribute to improving Stockmann's environmental performance.

One of the primary concerns is how to sort waste and make sorting more efficient. Wastes are sorted where they arise: in warehouses, department stores and other stores. Sortable wastes include energy-producing, bio, mixed and hazardous waste, cardboard, paper, metal and electronic waste. Energy and biowaste, along with paper, cardboard and metal, are delivered to waste-processing plants, whereas hazardous wastes go to hazardous-waste plants and mixed wastes to landfills.

The collection of plastic film and shrinkwrap on a pilot basis at part of the department stores in Finland and at the Pitäjänmäki warehouse was started in 2006 and will continue in 2008. The collecting of plastic film and shrinkwrap promotes the reclaiming of wastes and accounts for a high share, 95 per cent, of the wastes generated at the Group's sites in Finland. In international operations, the recycling efficiency rate for wastes is 16 per cent. Annual targets have been set for waste management activities, and the results are monitored regularly.

The different methods used by business sites to manage waste somewhat limit the scope for fully uniform reporting on waste management. The solutions adopted at stores operating in shopping centres are often dependent on the waste management systems in use at these centres. Furthermore, waste management regulations vary from one municipality to the next. At the Group's sites abroad, recycling is carried out in accordance with local regulations and the possibilities of recycling. A challenge in the years ahead is therefore to harmonize the waste management practices of the Group's ever-expanding operations abroad and to unify reporting on them with the practices at the Group's other units.

In the retail sector, environmental accidents and discharges into watercourses are not essential environmental considerations, and the probability of their occurrence is extremely small.

The Group's energy consumption consists of electricity, district heating and water. The recorded consumption stems mainly from the lighting and cooling of store, warehouse and office premises and from the electrical and automation equipment used in these areas. The aim of building management is to provide heating, lighting and ventilation conditions that are environmentally cost-effective and support business operations. When improving working conditions, factors bearing on employee well-being and customer satisfaction are taken into account, such as the quality of the indoor climate. Stockmann is now reporting on the carbon dioxide emissions from its operations for the first time.

The Group's electric power consumption in 2007 was about 99 400 MWh (2006: about 88 300 MWh) [1]. As a consequence of expanding operations and the resultant continuous increase in energy consumption, a Group-wide electricity-saving campaign was launched in spring 2007. Its aim is to tell about the means by which electricity can be conserved and to get the staff to think about electricity use so that they can make small but important changes in the way they do things. As part of the electricity-saving campaign, Stockmann's Department Store Division took part in Motiva's Energy Awareness Week, which was held in October 2007. Motiva is a company that is owned by the Finnish state and carries out a programme for promoting energy conservation and the use of renewable sources of energy.

Total water consumption in 2007 was 201 305 cubic metres (2006: 181 371 cubic metres)[1]. Most of the water is used in the department stores' restaurant, kitchen and sanitary facilities. Comprehensive data on energy consumption and waste management in operations abroad is not available. The reporting on energy consumption does not include fuel used in transport and other vehicles. Stockmann does not have a significant transport fleet of its own. In view of the Car Tax and the upcoming change in vehicle tax legislation, the Company has decided it will pay the Diesel Tax on employee company cars. The aim of the decision is to reduce carbon dioxide emissions from company-operated cars.

Social responsibility

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. The Group's rapidly growing international operations also pose challenges for resolute action in fighting corruption. Stockmann's position in all situations is that in every country where the Group operates, its activities must be in line with the company's core values and operating instructions, whilst observing local laws and regulations.

Responsible importing

Stockmann's social responsibility also extends beyond the company's own personnel to encompass, indirectly, the working conditions of employees all along the supply chain. Stockmann does not have its own factories or production plants, but instead goods are purchased from producers in Europe and Asia. As part of its responsible operations, Stockmann makes it a rule that product suppliers and importers observe responsible importing practices.

On a Finnish yardstick, Stockmann is a large company, but worldwide it is a fairly small player. That is why Stockmann pursues close cooperation with other groups of retailers and wholesalers, both in Finland and internationally, with the aim of developing responsible operations across the entire supply chain.

Measures to promote responsible importing practices have

1) Consumption exclusive of Lindex.

Photo: Jukka Pääkkönen, SASK

Development cooperation project in Vietnam

Stockmann is participating in a three-year development cooperation project in Vietnam. Entitled "Pilot Business Social Compliance Initiative on Labour Standards & Social Responsibility Among Selected Vietnamese Supplier & Sub-contractor Companies to the Finland Retail Sector", the project is coordinated by the Trade Union Solidarity Center of Finland (SASK). The Central Organization of Finnish Trade Unions (SAK) is also taking part in the project alongside importing companies. The project is financed primarily through Finnish State development cooperation funding.

The Vietnamese participants in the project are Vietnam's Ministry of Labour, the central trade union organisation and the Central Chamber of Commerce. The administrative head of the project is Union Aid Abroad (APHEDA), the development organization of the Australian trade unions. The aim of the project is to improve the working conditions of Vietnamese goods suppliers and the position of their employees by training company management and personnel and by arranging external audits.

The pilot phase of the project got under way in 2005 by setting up a local steering group and by means of training that was arranged for the representatives of the target companies, the personnel and the project support organizations. Work satisfaction surveys were carried out by external research consultants towards the end of 2006. On the basis of them, the supplier companies carried out a self-evaluation and prepared for the first BSCI audit. The audits began in spring 2007. Based on the results of the first audit, the companies drew up plans for improving their own operations. After these are completed, there will be a second audit. In October, a mid-term seminar for the project was held in Ho Chi Minh City, during which the project highlights were reviewed: progress to date, the results of the job satisfaction questionnaires and the audits carried out as well as how the project's next phases are progressing.

In line with the project, Stockmann's Vietnamese suppliers were audited according to the BSCI model during 2007. Apart from Stockmann, one of the participants in the project is Tuko Logistics Oy, an associated company of Stockmann and one of its major suppliers.

been developed purposefully for many years now. Stockmann is a member of the Network to Advance Social Responsibility in Importing, which is coordinated by the Central Chamber of Commerce. The network's members are retail and wholesale companies, manufacturers of foods, clothing and footwear as well as importers. Stockmann is committed to promoting the application of ethical principles within importing activities as defined by the network. In addition, Stockmann adheres to the principles of responsible import trade set out by the International Association of Department Stores (IADS). The IADS principles are for the most part similar to those of the Network to Advance Social Responsibility in Importing mentioned above.

In their operations, Stockmann's divisions abide by the Group's guidelines on Commitment to Social Responsibility in Importing, which is based on the declarations and conventions of the UN and ILO, the International Labour Organization. Accordingly, suppliers also undertake not to use child labour or forced labour, nor to practice discrimination, whereas they do strive to ensure employees safe working conditions and adequate wages.

Stockmann joined the Business Social Compliance Initiative (BSCI) at the beginning of 2005. BSCI is a cooperation organization that has been developed by European companies, trade unions and other organizations. BSCI is a joint system for auditing suppliers and it is administered by the Brussels-based Foreign Trade Association (FTA). In February 2008, BSCI had more than a hundred member companies from ten different countries. Apart from Stockmann, there are four other member companies from Finland.

Stockmann has elected to use the BSCI's Code of Conduct in producing its own brands. In addition to the above-described basic rights and principles that are applied in working life, the Code embraces environmental matters.

The purpose of BSCI is to improve the working conditions of people employed by its member suppliers, at the same time clarifying and harmonizing the means by which suppliers are monitored. The centrepiece of the system is the audit. This covers working conditions and terms of employment, and is carried out by an external, authorized auditor. BSCI audits are performed by the same certification institutions as are SA 8000 audits. This means that a company can opt to upgrade to SA 8000 certification. An audit conducted by an external professional guarantees the transparency and reliability of the system.

Progress towards an approved BSCI audit is a painstaking process. It begins with a supplier's self-evaluation, the purpose of which is to work out in advance the shortcomings that may emerge in the audit and to rectify them before the audit takes place. After the audit, the company has three months to remedy any deficiencies that may have been observed during the audit, and the first audit is often followed by a re-audit. A total of 3 007 BSCI audits have been carried out. All in all, 1 587 audits were performed in 2007.

BSCI also employs working groups. Stockmann participates in the System Implementation Working Group, whose task is to improve the utilization of BSCI methods within member companies in order to further BSCI's activities in the supply chain and to promote contacts among auditing companies.

BSCI has previously focused on manufacturers of textiles and footwear, but during 2006, BSCI's scope expanded to cover foodstuff production. This led to starting up audits of primary production in 2007. Stockmann purchases the bulk of its foodstuffs from the Finnish wholesaler Tuko Logistics Oy, which became a member of BSCI last year.

BSCI arranges workshops for suppliers, at which they are told about the system and encouraged to join the BSCI auditing process. BSCI workshops were held in China in 2007. Stockmann's suppliers were among the participants in them.

Most of Stockmann's staff serve customers on the shop floor. Juha Mänttäri of the Helsinki department store.

Personnel

With the acquisition of Lindex, the number of people employed by the Stockmann Group increased significantly during the year under review and totalled 16 478 at year end (10 862 in 2006). The number of people working abroad was 8 294 (3 477 in 2006). At the same time, several new nationalities and ways of working were incorporated into the company.

In all the countries where Stockmann operates, in 2007 personnel management focused on the mobility, availability and induction of personnel. With the continued economic boom, the number of jobs in the service sector has risen to record levels, and this has a direct knock-on effect on the desire of the workforce in the sector to monitor the labour market and change employer if need be. Although Stockmann has a wide range of positions to offer people of varying ages and life stages in all the countries where it operates, the attractiveness of the retail sector as a permanent and long-term career cannot be taken as a matter of course. This is why particular effort in 2007 has been devoted to various Trainee programmes (the Senior Management Pool Programme, the Junior Pool Programme and the Delicatessen Trainee Programme). The training programmes will provide Stockmann with people who have a variety of educational backgrounds, are interested in self-advancement and can be groomed for the retail sector through a combination of work and precision training. Upon completion of the Trainee programme, a suitable position can be offered within the Group, either in Finland or abroad.

The periods of work practice, which are included in the public educational system, also give pupils the opportunity to get to know the store as a place of employment. After graduating, many return to the company where they did their practical training. Every year hundreds of school pupils and trainees work at Stockmann during their periods of familiarization with working life.

Stockmann's stores in the Nordic countries are still able to draw enough young employees seeking a short-term career. In Russia and the Baltic countries, though, the rapid growth of the economy has resulted in a shortage of skilled labour. In Estonia, various incentive systems are used to encourage the company's staff to recommend their employer to their friends. Experience of this approach has been positive.

As the Group expands to an increasing number of operating countries, the need for unified personnel management processes is gaining in importance. Refinement of these pro-

PERSONNEL KEY FIGURES

	2007	2006	2005
Staff 31.12.	16 478	10 862	11 849
Staff in Finland 31.12.	8 184	7 385	8 112
Staff abroad 31.12	8 294	3 477	3 737
The proportion of people working abroad, %	50	32	32
Average number of employees	11 161	10 069	10 558
Average number of employees converted to full-time staff	8 979	8 037	8 537
Average age of staff	33	34	33
Staff turnover of permanent employees in Finland, average %	14	15	15
Staff turnover of recruited employees in Finland, %	14	13	17
Staff turnover of resigned employees in Finland, %	14	16	14
Staff turnover of permanent employees in Russia, average %	76	63	. .
Staff turnover of permanent employees in Baltic countries, average %	56	48	. .
Sickness absences in Finland, %	4.4	4.9	4.4
Full-time employees	4	4.8	4.2
Part-time employees	5	5	4.5
Full-time staff / Part-time staff total, %	44/56	50/50	50/50
Full-time / Part-time % in Finland	40/60	40/60	44/56
Full-time / Part-time % abroad	48/52	71/29	65/35
Staff expenses, share of revenue %	16	15.7	14.1
Number of reported accidents at work, Finland	244	293	275

cesses was continued during 2007, and the corresponding changes were implemented in the personnel management systems. The work will continue, expanding gradually from one country to the next.

Staff induction training and development

During 2007, the priorities for personnel development at all the divisions remained unchanged: improvement of sales and customer service skills and enhancement of managerial skills.

In Finland, the Department Store Division introduced a new Stockmann Sales training programme whereby sales staff in the department stores is coached in active customer service in a three-step training programme. The target group for the training is sales staff who has worked for less than three years at Stockmann. A follow-up course for sales personnel with more than five years' experience is currently in the planning stage.

The Power to Sales programme began at full throttle at the department stores outside Finland. Job descriptions in sales and the organization were modified so that the role of the department managers in supervising day-to-day sales and customer service is emphasized.

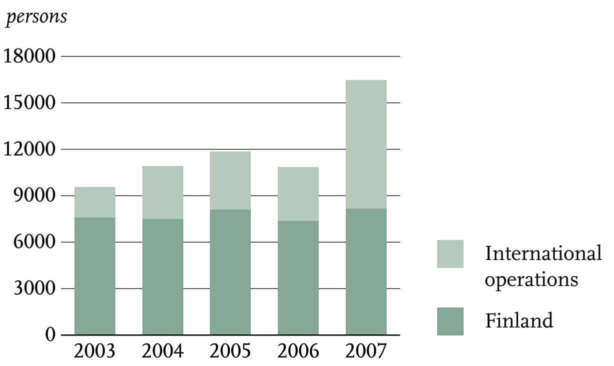
The results of customer satisfaction surveys improved clearly in the department stores in Finland, Russia and the Baltic countries. In Finland, the department stores switched from an annually conducted survey to continuous customer satisfaction monitoring. In Russia and the Baltic countries, greater in-store presence of department managers and their active coaching have contributed to improving the standard of customer service.

In order to strengthen the professional skills of buyers, a training programme covering both technical competence as well as skills enhancement was planned. The first negotiation skills training sessions in English were arranged for experienced buyers in spring 2007. Training was also provided in basic negotiation skills as well as training relating to buyer tools.

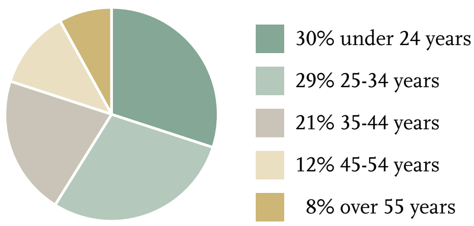
English and Russian courses were also launched at Hobby Hall as operations expanded in the Baltic countries and started up in Russia.

A new ERP system was introduced at Hobby Hall in spring 2007. In connection with this, an extensive training project was set in motion and implemented by in-house personnel.

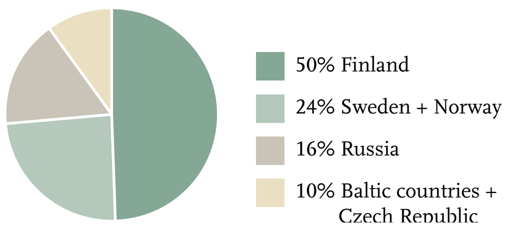
STAFF AT YEAR-END 2003-2007



AGE STRUCTURE OF THE STAFF 2007



DISTRIBUTION OF STAFF BY GEOGRAPHICAL SEGMET 2007



A large part of Hobby Hall's staff was given training in the use of the new system.

The theme of Seppälä's Spirit training programme was to raise the standard of customer service. Under the same theme, managerial training was organized for the first time in regional teams. A training programme for the sponsor personnel of Seppälä's new stores was started in Russia. The sponsors are store managers, who train new store managers and show them "the ropes." Because of the growing importance of Seppälä's Russian market, more courses in Russian were offered, and training in Russian culture and business life was arranged.

Lindex honed its vision and carried through a comprehensive development and commitment-building programme covering the entire personnel.

Codetermination and equality

Codetermination between Stockmann's management and staff in Finland started in 1924, long before codetermination legislation came into force. Even the name of the codetermination body – the Employees' Council – dates back to the company's early years.

In Finland, each division and also the larger company sites have their own Employees' Council that deals with issues related to the Act on Co-operation within Undertakings in its own business area. These councils also deal with the duties of the Occupational Safety Committees.

Representatives of these local councils make up the Group Council in Finland, which meets twice a year. The Group Council deals with joint matters concerning the units in Finland, and at each meeting the CEO gives a review on the Group's financial situation and plans for the future. In the Baltic countries, Stockmann has Employees' Councils that employ the above model, including a biannual management review in conjunction with discussion of their own issues.

There are plans to establish similar activities in Russia, too, though organizing regular meetings will be a tall order in a country of Russia's size.

Lindex has its own European Works Council. The aim is to integrate the processes of the Council into codetermination practices throughout the Stockmann Group.

All the companies in Finland draft annual equality plans enabling changes in the personnel structure to be monitored according to various indices. In connection with regularly conducted workplace atmosphere surveys, factors relating to equality and bullying in the workplace are surveyed through open-ended questions. There have not been any problems in this area.

85 per cent of the Group's personnel are women and 15 per cent men. Women accounted for 80 per cent of the senior salaried employees and men for 20 per cent. The proportion of female executives decreased somewhat with the acquisition of Lindex and was 64 per cent (65 per cent in 2006). 65 per cent of directors working in Finland were women (60) and 63 per cent of those working abroad (77).

Incentive systems

Most of the Group's staff are covered by an incentive system. The incentive systems for supervisors and experts are based on financial benchmarks and the evaluation of individual job performance. As a rule, incentive schemes for specific personnel groups are applied to people in other positions.

Various incentive bonuses came to EUR 6.2 million in 2007. In addition, EUR 1.1 million was booked as IFRS 2-compliant expenses for the 2006 share option arrangements for key employees.

Management incentive systems and the share option arrangements for key employees are discussed under the heading "Corporate Governance" on pages 33 – 34 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 53 – 54.

Occupational health care

In Finland, the occupational health care staff cooperated closely with the Employees' Councils through participation in occupational safety risk surveys and assessment of the significance of the health risks. Workplace surveys of new work facilities were conducted at some sites and the health care staff participated in designing the fixtures with a view to ensuring functional ergonomics. Visits were made to survey old and renovated company sites as well.

Occupational health care focused on the treatment of chronic illness affecting work and on identifying symptoms caused by the job. Corrective measures, such as advice on ergonomics, were started as needed. Health check-ups consist mainly of pre-employment health assessments and monitoring of working capacity. Some health check-ups were carried out workplace by workplace and included a Resources at Work questionnaire. Employee working capacity was maintained and improved through referrals for medical and occupational rehabilitation, if necessary. At group level, ASLAK, an early

Smoothly running logistics underpin excellent customer service.
Eila Saarela of the Pitäjänmäki warehouse.

A satisfied customer is the aim of the clerical staff too. Eeva Hietanen of the Department Store Division's purchasing organization.

warning intervention system, and TYK, job stamina training, were realized once again as occupational rehabilitation in cooperation with the Social Insurance Institution of Finland (Kela) and rehabilitation institutions. National "Well-Being at Work" days were also held as usual.

Occupational health care emphasized closer cooperation with supervisors and employees. To foster cooperation, a model for discussions on workplace well-being was established with the aim of improving employee working capacity and general welfare at work, thus reducing sickness absences. The discussion helps supervisors to intervene early in problems in collaboration with occupational health care staff. The partial sickness allowance reform which came into force at the beginning of the year was explained to the staff and already applied in practice at some of the company's sites. Relocation of employees on health grounds was actively implemented through occupational health care staff in collaboration with managers.

The largest diagnostic groups responsible for sickness absences among the staff in Finland continued to be respiratory inflammations and musculo-skeletal ailments. As was the case in 2006, the third largest cause of sickness absences were accidents at work or when travelling to and from work, or during free time.

In Russia and Latvia, local public health care is complemented by voluntary insurances. In Estonia, Lithuania and the Czech Republic, the staff uses public health care services.

Lindex's Nordic health care system is based on legislation and works along the same principles as Stockmann observes in Finland.

Internal communications go international

The Intranet has rapidly established itself as an essential tool for internal communication among employees. As well as the Group-wide Intranet pages, each division has its own subpages. The new Finnish Intranet site launched in spring 2005 was joined at the end of 2006 by English-language pages for staff working abroad. The English site has links to the Russian pages, which were launched early in 2008. The aim is to have similar Estonian, Latvian and Lithuanian pages up and running in 2008.

Printed information still has an important role in the Group's internal communications along with electronic methods, as most people do not work continuously at a computer. The Stockmann Group publishes a staff magazine entitled "MeVi" and the "Mini MeVi" newsletter. In addition to the main languages of these publications, Finnish and Swedish, they also occasionally publish material in other languages used within the Group. In 2008 the aim is to begin publishing the Group's staff magazine in Russian, Estonian and Latvian in such a way that part of the content of each language version is edited in the country of publication and part is shared. In addition to the Group's publications, divisions and department stores have their own in-house newsletters. Many of these appear in both electronic and printed versions.

Lindex has its own Intranet site and staff magazine. As integration progresses, Lindex's employees will be included in the Group's shared internal communications network.

Board report on operations

The Stockmann Group's sales from continuing operations were up 13 per cent in 2007 to EUR 1 668.3 million (EUR 1 477.8 million in 2006). Profit before taxes from continuing operations was EUR 119.4 million (EUR 99.4 million). In December, Stockmann acquired a 98% holding in Lindex, one of Northern Europe's largest fashion chains. Stockmann's earnings per share were EUR 1.59. The Board of Directors will propose the payment of a dividend of EUR 1.35 per share.

Financial reporting

Stockmann adopted International Financial Reporting Standards (IFRS) on January 1, 2005. The accounting policies and calculation methods applied are the same as those in the 2006 financial statements. In the financial reporting for 2006, Stockmann Auto and the Zara business in Russia are treated as discontinued operations in accordance with IFRS 5. The acquisition of Lindex in 2007 has been treated as a business combination in accordance with IFRS 3.

Lindex becomes a Stockmann Group Company

In December, the branch office in Finland of Stockmann Sverige AB, a Stockmann subsidiary, purchased 97.8 per cent of the shares in the Swedish fashion chain AB Lindex (publ) through a public tender offer. Lindex is one of the leading fashion chains in the Nordic countries. It has good profitability and a strong market position, particularly in Sweden, Norway and Finland. Furthermore, the company already has operations in all the Baltic countries and, since 2007, also in the Czech Republic, with purchasing offices in six countries. At the close of the financial year, Lindex had 346 stores and a payroll of 4 644 employees.

Lindex is in a similar strategic position to Stockmann, because both companies are seeking to achieve a large part of their growth outside their domestic markets. Lindex rounds out the Stockmann Group's operations and thereby improves the potential of all Stockmann's divisions to achieve profitable growth rapidly, above all in the countries of Eastern Europe and in Russia. Stockmann has set in motion a project to integrate Lindex into the Stockmann Group. The project involves a thorough revision of all functions to ensure that the best ways of operating and advantages of scale can be utilized stage by stage across the entire Group.

The cost of acquiring Lindex's entire shares outstanding is EUR 850.9 million. Lindex's balance sheet items have been measured at fair value at the time of the acquisition. According to preliminary calculations, the balance sheet value of trademarks, customer and supplier agreements as well as inventories was a total of EUR 89.1 million greater than the carrying amount at the time of the purchase, EUR 91.0 million. EUR 721.7 million of the acquisition cost has been allocated to goodwill. The acquisition cost is presented in note 3 to the financial statements in accordance with IFRS 3.

REVENUE

	2007 EUR mill.	2006 EUR mill.	change EUR mill.	change %
Department Store Division, Finland	**729.5**	696.3	33.1	4.8
Department Store Division, international operations	**295.5**	245.0	50.6	20.7
Department Store Division, total	**1 025.0**	941.3	83.7	8.9
Lindex, Finland	**6.0**			
Lindex, international operations	**48.7**			
Lindex, total*	**54.7**			
Hobby Hall, Finland	**139.3**	138.1	1.2	0.9
Hobby Hall, international operations	**32.4**	27.8	4.6	16.7
Hobby Hall, total	**171.7**	165.9	5.8	3.5
Seppälä, Finland	**101.1**	101.4	-0.3	-0.3
Seppälä, international operations	**43.9**	29.4	14.5	49.4
Seppälä, total	**145.1**	130.8	14.2	10.9
Unallocated	**1.7**	1.7	0.1	
Operations in Finland, total	**977.6**	937.5	40.1	4.3
International operations, total	**420.6**	302.2	118.4	39.2
Continuing operations, total	**1 398.2**	**1 239.6**	**103.9**	**8.4**
Operations in Finland		61.1	-61.1	-100.0
Discontinued operations		61.1	-61.1	-100.0
Operations in Finland, total	**977.6**	998.5	-20.9	-2.1
International operations, total	**420.6**	302.2	118.4	39.2
Total	**1 398.2**	1 300.7	97.5	7.5

*Lindex from December 6, 2007

Lindex was included in Stockmann's consolidated financial statements as from December 6, 2007. During the financial year, Lindex increased the Stockmann Group's sales by EUR 68.1 million, revenue by EUR 54.7 million and operating profit by EUR 15.0 million.

According to the pro forma calculation drawn up to illustrate the situation, Lindex's sales from continuing operations during the calendar year 2007 were EUR 704.9 million, revenue EUR 566.2 million and operating profit EUR 70.9 million. If Lindex had been consolidated within the Stockmann Group from the beginning of the calendar year, the Group's sales for the 2007 financial year, according to the pro forma calculation, would have been EUR 2 305.1 million, revenue EUR 1 909.7 million and net profit EUR 93,7 million.

Lindex's shares were delisted from the OMX Nordic Exchange Stockholm on January 18, 2008. At the balance sheet date, 2.2 per cent of the shares in Lindex were not owned by Stockmann. The acquisition cost of these shares will be EUR 18.4 million, for which a corresponding non-current non-interest bearing liability has been recorded in the balance sheet. In January 2008, Stockmann acquired an additional 0.6 per cent of the shares in Lindex. In order to obtain the remaining 1.6 per cent of the shares, redemption proceedings have been initiated and on the basis of this Lindex has been consolidated within the Stockmann Group as a wholly owned subsidiary in accordance with IAS 32.

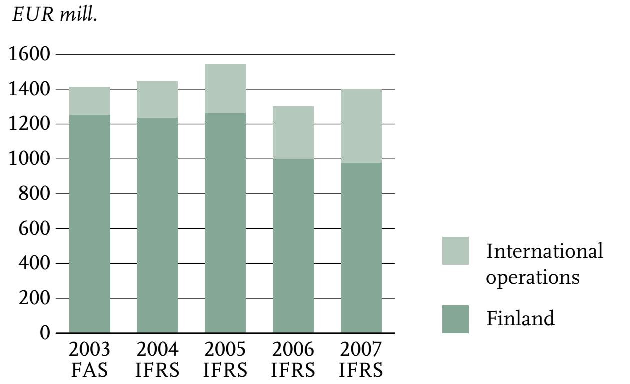
Sales and result

Operating profit from continuing operations for the financial year grew by EUR 25.3 million to EUR 125.2 million (EUR 99.9 million). Operating profit from continuing operations includes non-recurring capital gains of EUR 9.7 million, whereas these amounted to EUR 5.1 million a year ago. Earnings improved in Finland and the Baltic countries and decreased in Russia. Consolidated earnings were burdened by the costs of starting up a new department store in Moscow as well as by the energetic establishment of new Bestseller stores and Seppälä stores in Russia and the certificate problems encountered in goods transports in the first part of the year.

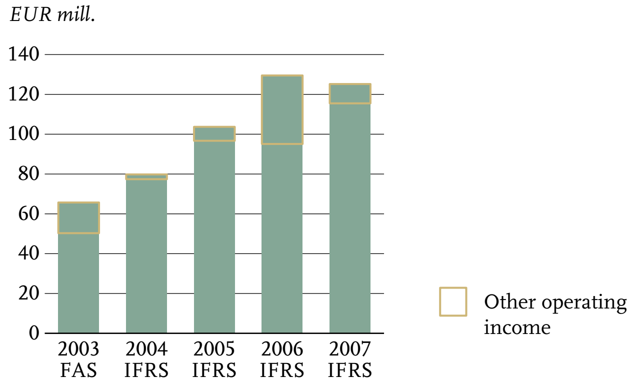
The Stockmann Group's sales from continuing operations in 2007 grew to EUR 1 668.3 million, up 13 per cent. The Group's sales abroad amounted to EUR 496.8 million, an increase of 40 per cent. Sales from continuing operations in Finland grew by 4 per cent to EUR 1 171.5 million. International operations accounted for an increased share of consolidated sales, rising from 24 per cent to 30 per cent. The Group's revenue was EUR 1 398.2 million, as against EUR 1 300.7 million in the comparative period. Other operating income amounted to EUR 9.7 million. In the comparative period, other operating income totalled EUR 34.4 million, consisting mainly of capital gains on asset sales.

The Group's operating gross margin increased by EUR 79.9 million to EUR 607.0 million during the financial year. The relative gross margin was 43.4 per cent (40.5 per cent). The relative gross margin on operations of the Department Store Division, Hobby Hall and Seppälä improved. The Group's relative gross margin was furthermore lifted by the acquisition of Lindex

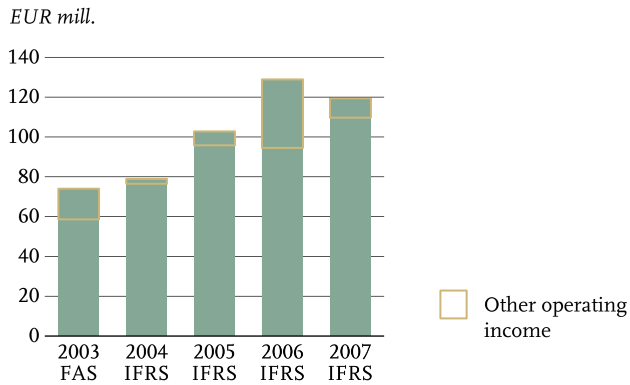
REVENUE 2003-2007



OPERATING PROFIT 2003-2007



PROFIT BEFORE TAXES 2003-2007



OPERATING PROFIT AND RETURN ON CAPITAL EMPLOYED

	2007 EUR mill.	2006 EUR mill.	change EUR mill.	2007 ROCE %	2006 ROCE %
Department Store Division	**91.8**	79.5	12.3	**18.1**	21.2
Lindex*	**15.0**				
Hobby Hall	**5.7**	7.1	-1.4	**6.5**	7.7
Seppälä	**20.7**	21.1	-0.4	**67.3**	91.6
Eliminations	**-0.7**	0.2	-0.9		
Unallocated	**-7.5**	-8.0	0.5		
Continuing operations, total	**125.2**	**99.9**	**25.2**		
Discontinued operations		29.6	-29.6		
Total	**125.2**	129.5	-4.3	**12.1**	22.9

*Lindex from December 6, 2007

and by the discontinuance of low-margin vehicle sales as from the beginning of March 2006. Operating costs increased by EUR 54.8 million and depreciation by EUR 4.8 million. Primarily owing to the impact of the EUR 34.4 million of other operating income during the comparative period, consolidated operating profit was down by EUR 4.4 million to EUR 125.2 million. Net financial expenses grew by EUR 5.2 million and were EUR 5.7 million (EUR 0.6 million). The increase in net financial expenses was due largely to the debt financing of the acquisition of Lindex shares.

Profit before taxes was EUR 119.4 million for the financial year, down EUR 9.5 million on the figure a year earlier. Direct taxes were EUR 31.1 million, increasing by EUR 6.8 million on the figure a year earlier. In the comparative period, earnings included EUR 29.3 million of tax-free capital gains. Earnings per share in the financial year were EUR 1.59 (EUR 1.93) and diluted for options, earnings were EUR 1.58 (EUR 1.90). Equity per share was EUR 10.66 (EUR 10.34).

Stockmann's Board of Directors set new long-term financial targets in summer 2006. The targets are: to reach by 2011 a 10 per cent operating profit on revenue, a 22 per cent return on capital employed and sales growth that outpaces the market. The target set for the equity ratio was 50 per cent. During the financial year, the Group's operating profit margin from continuing operations rose and was 9 per cent of revenue. Owing to the acquisition of Lindex with debt financing, the equity ratio declined and was 32.6 per cent. In line with this, the return on capital employed diminished and was 12.1 per cent. During 2008, when the Lindex acquisition has been completed, the Board of Directors will reassess the long-term financial targets.

Sales and earnings trend by business segment

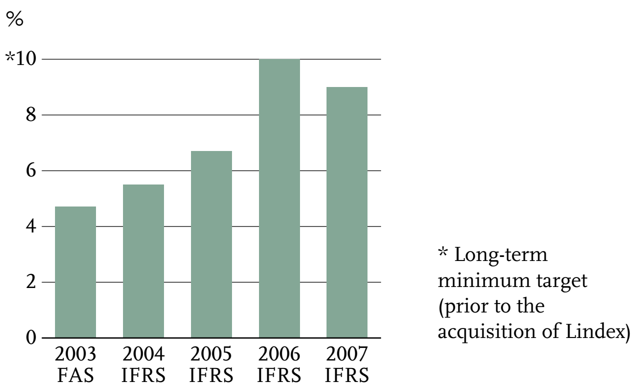
The Department Store Division's sales grew by 9 per cent to EUR 1 218.1 million in 2007. Sales in Finland were up 5 per cent. International Operations' sales were increased by the good like-for-like retail performance of the department stores in Russia and the Baltic countries, a fourth department store that was opened in Moscow in mid-February as well as the new Bestseller stores. In Russia, the problems encountered in imports in the early months of the year led to a temporary shortfall of merchandise, which slowed sales growth in the early months of the year. The department stores in Estonia and Latvia reported an excellent sales trend. Sales by International Operations grew by 21 per cent and its share of the division's sales rose to 28 per cent (26 per cent). The relative gross margin improved during the financial year. The Department Store Division's operating profit improved substantially and was EUR 91.8 million (EUR 79.5 million). Net profit includes EUR 9.7 million of non-recurring capital gains, compared with EUR 4.7 million of such gains recorded in net profit a year earlier. Earnings generated by the businesses in Finland and the Baltic countries improved clearly. Earnings from International Operations were burdened by the start-up costs of the department store that was opened in Moscow in February, the start-up costs of the new Bestseller and Nike stores and the larger-than-normal discounts in the second quarter due to delays in customs clearance at the start of the year.

Lindex's figures are included in the Group's figures as from December 6, 2007. Three-week sales were EUR 68.1 million, and operating profit for the same period amounted to EUR 15.0 million. According to the pro forma calculation, Lindex's sales from continuing operations during the 2007 calendar year were EUR 704.9 million, and operating profit was EUR 70.9 million.

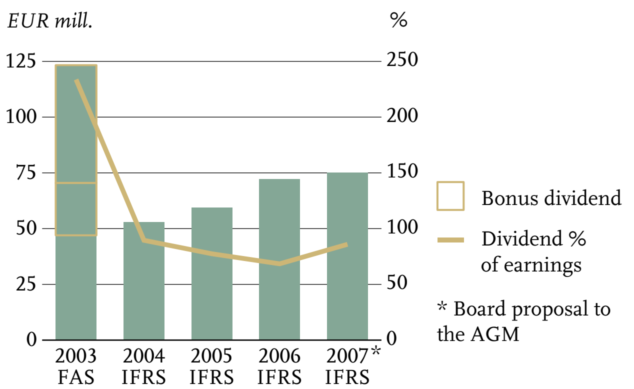
Hobby Hall reported sales growth of 3 per cent to EUR 206.5 million (EUR 199.8 million). Sales grew in both Finland and the Baltic countries. Operations in Russia were started up in December. Hobby Hall's relative gross margin increased. Online sales continued to grow strongly, accounting for 66 per cent of Hobby Hall's distance retailing in Finland (47 per cent). Online sales also grew in Estonia, accounting for 40 per cent of Hobby Hall's distance retailing in Estonia (33 per cent). Hobby Hall placed a new ERP system in operation in April. The commissioning process burdened earnings in the report period by causing non-recurring costs and problems in customer service. After the start-up phase, the new ERP system will enhance Hobby Hall's operations and reporting as well as improve customer service. Hobby Hall's operating profit in the financial period was EUR 5.7 million (EUR 7.1 million).

Seppälä's sales grew by 11 per cent to EUR 174.7 million. Sales grew strongly in Russia and the Baltic countries, where they were boosted by the new stores that were opened towards the end of 2006 and in 2007 as well as by the good like-for-like sales trend.

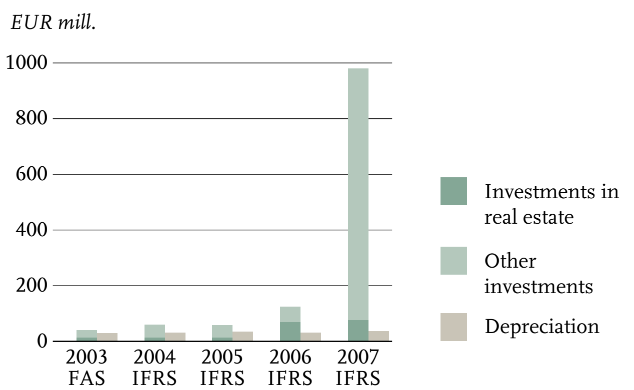
OPERATING PROFIT % OF REVENUE 2003-2007



DIVIDEND FOR THE FINANCIAL YEARS 2003-2007



INVESTMENTS AND DEPRECIATION 2003-2007



Sales abroad grew by 49 per cent and their share of Seppälä's total sales rose to 30 per cent (22 per cent). The relative gross margin improved, but fixed costs and depreciation also increased because of the heavy investments in opening new stores, especially in Russia. Seppälä's operating profit in the financial year was EUR 20.7 million (EUR 21.1 million).

Financing and capital employed

As a consequence of the acquisition of Lindex shares, Stockmann's financial position and capital structure changed significantly. Interest-bearing liabilities at the end of the year were EUR 905.6 million (EUR 23.4 million), of which EUR 855.4 million consisted of long-term borrowings (EUR 23.4 million). Liquid assets totalled EUR 33.2 million at the end of the year, compared with EUR 59.2 million a year earlier. Capital expenditures amounted to EUR 977.4 million. Net working capital at the end of the year was EUR 193.9 million, compared with EUR 194.5 million a year earlier. Dividend payouts totalled EUR 72.1 million. Share subscriptions made by exercising the 2000 share options added EUR 3.1 million to shareholders' equity. The equity ratio was 32.6 per cent (74.5 per cent) at the end of the year.

The return on capital employed was 12.1 per cent (22.9 per cent). The Group's capital employed increased by EUR 909.7 million and was EUR 1 504.7 million (EUR 595.0 million) at the end of the year.

Dividends

For the financial year 2006, in accordance with the resolution of the Annual General Meeting, a dividend of EUR 1.30 per share was paid, or a total of EUR 72.1 million. The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 1.35 per share be paid for the 2007 financial year. The proposed dividend is 84.9 per cent of earnings per share.

Capital expenditures and current projects

Capital expenditures during 2007 totalled EUR 977.4 million (EUR 125.5 million).

The construction works for the major enlargement and transformation project for the department store in the centre of Helsinki are continuing. The project involves expanding the department store's commercial premises by about 10 000 square metres by converting existing premises to commercial use and by building new retail space. In addition, completely new goods handling, servicing and customer parking areas will be built. After the enlargement, the Helsinki department store will have a total of about 50 000 square metres of retail space. The revised cost estimate for the enlargement is about EUR 190 million. The works are estimated to be completed phase by phase by autumn 2010. The spaces that were temporarily not available for retail sales whilst the construction works were under way have again been placed in use, and the department store's retail floor space is in the beginning of 2008 the same as it was before the project started. Henceforth, new retail space will be placed in use when it reaches completion. During 2007, the project required an investment of EUR 51.6 million. Stockmann has succeeded in carrying out the extensive project without disrupting the department store's profitability. The department store's sales grew in 2007.

In 2007, a Stockmann Beauty store was opened in Joensuu, Rovaniemi and Lappeenranta. The Stockmann Beauty chain now has sixteen stores.

In February 2007, the Department Store Division opened a fourth department store in Moscow, in the Mega shopping centre on the southeast side of town. The department store has just over 10 000 square metres of retail space. Stockmann's portion of the total costs of the department store, which was built in leased premises, was EUR 16.5 million, of which EUR 5.8 million was an outlay in 2007. Operations have started up according to plan.

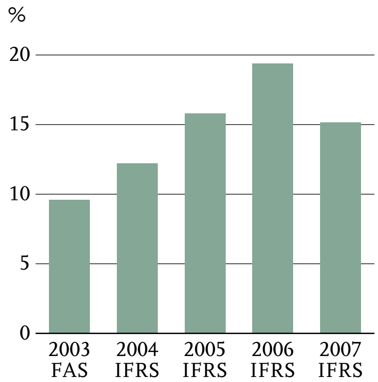
Seven new Bestseller stores were opened in Russia during 2007: two in St Petersburg and one store each in Moscow, Kazan, Samara, Rostov-on-Don and Novosibirsk. Stockmann now has a total of 18 Bestseller stores in Russia.

The first two Stockmann Nike stores were opened in St Petersburg in February. During 2007, Stockmann established yet a third store in St Petersburg as well as stores in Nizhny Novgorod, Novosibirsk and Rostov-on-Don.

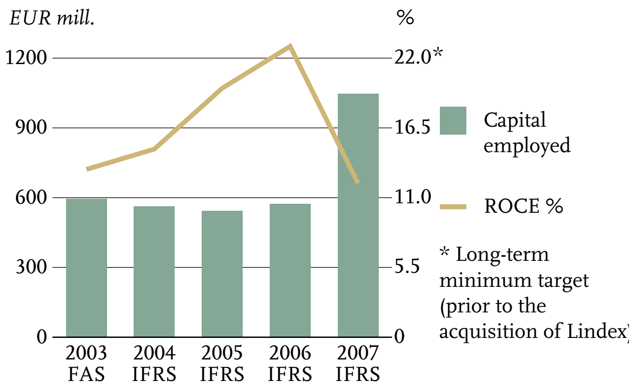
In 2006, Stockmann purchased a 10 000-odd square metre commercial plot on Nevsky Prospect, St Petersburg's high street. The plot is located next to the Vosstaniya Square metro station, in the immediate vicinity of the Moscow railway station. On this plot, Stockmann will erect Nevsky Centre, a shopping centre with about 100 000 square metres of gross floor space, of which about 50 000 square metres will be store and office space. A full-scale Stockmann department store with about 20 000 square metres of retail space has been planned for the shopping centre, along with other retail stores, office premises and an underground carpark. The investment outlay for the department store and shopping centre has grown in step with a rise in construction costs, project delays and a change in the structure of the contract agreement. The total investment is estimated to be about EUR 170 million. The foundation works for the building are under way. Stockmann's objective is to open the department store and commercial centre by the end of 2009. During 2007, the project required an investment of EUR 24.0 million.

Stockmann has signed a preliminary agreement on opening Moscow's fifth Stockmann department store in leased premises in the Metropolis shopping centre that is being built near the city's centre. The department store will have a total of about 8 000 square metres of retail space, and Stockmann's investment

RETURN ON EQUITY 2003-2007



CAPITAL EMPLOYED AND ROCE % 2003-2007



in the project will be about EUR 12 million. Stockmann's objective is to open the department store by the end of 2008.

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

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

The Department Store Division's capital expenditures came to EUR 111.5 million.

At the turn of the year, Lindex placed in use a new distribution centre that is located in Gothenburg, Sweden. The facility will boost the efficiency of the company's operations and will be fully operational in the spring of 2008. Lindex has started a refurbishment program of stores in Norway. The program will be completed in the following two years and will improve competitiveness. Lindex aims to open business in Russia during the second half of the year and continues expansion in other markets. The objective is to open approximately 20 – 25 new stores in 2008.

Hobby Hall's capital expenditures amounted to EUR 3.5 million, which went mainly for the upgrade of the ERP system. Hobby Hall launched distance retailing in Lithuania in February and in Russia at the end of the year. Hobby Hall is also starting up online sales in Sweden during 2008.

Seppälä's capital expenditures came to EUR 9.3 million. In 2007, Seppälä opened a store in Tampere and Kerava, Finland, in Pärnu, Estonia, and in the cities of Vilnius and Kaunas in Lithuania. Seppälä opened 11 stores in Russia: four in St Petersburg as well as one each in Moscow, Samara, Nizhny Novgorod, Yaroslavl, Voronezh, Rostov-on-Don and Novosibirsk. In Finland and Estonia, a total of 15 stores were refurbished, some of them having moved into new premises. During 2007, an upgrade of the cash register system was carried out at the stores in Finland and Estonia, and it was completed in October. Seppälä is continuing to explore the possibility of starting up operations in Ukraine.

Other capital expenditures came to EUR 853.1 million, of which the acquisition of the Lindex shares accounted for EUR 850.9 million.

Capital expenditures in 2008 are estimated to amount to about EUR 195 million. The biggest investment items are the enlargement and transformation project for the department store in the centre of Helsinki and the construction works on the department store and shopping centre in St Petersburg.

On September 27, 2007, Stockmann made an agreement with Nordea on transferring its financing of Loyal Customer accounts to Nordea. The consideration paid for the transfer under the agreement contributed to improving Stockmann's earnings. This transfer of accounts will lighten Stockmann's balance sheet in 2008 by about EUR 65 million. The credit facilities of Stockmann's credit line Loyal Customer Cards will converge with those of the international MasterCard during 2008 in Finland, Estonia and Latvia, where Stockmann has previously not offered a Loyal Customer Card with a credit facility. In respect of Russia, Stockmann, acting in co-operation with Citibank, has agreed on bringing to market a MasterCard Loyal Customer Card with a credit facility in spring 2008.

Shares and shareholders

The company's market capitalization diminished by EUR 368.8 million during the year and stood at EUR 1 659.8 million at the end of the year (EUR 2 028.6 million).

Stockmann's share price underperformed both the OMX Helsinki index and the OMX Helsinki Cap index during the report period. At the end of the year, the stock exchange price of the Series A share was EUR 29.50, compared with EUR 36.40 at the end of 2006, and the Series B share was selling at EUR 29.66, as against EUR 36.48 at the end of 2006.

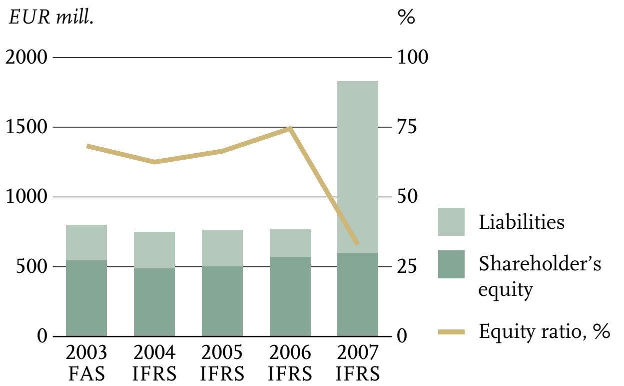
The 192 865 Stockmann shares subscribed for in December 2006 with the share options for the year 2000 were entered in the Trade Register on February 28, 2007, and they were admitted to public trading on the OMX Nordic Exchange Helsinki together with existing shares on March 1, 2007.

Share options for the year 2000 were exercised in March to subscribe for 238 709 shares. Of these, 18 000 shares were entered in the Trade Register on April 10, 2007, and 220 709 shares on May 14, 2007. They were accepted for public trading on the OMX Nordic Exchange Helsinki together with the old shares on April 11, 2007 and May 15, 2007. As a consequence of the subscriptions, the share capital was increased by EUR 477 418. Following the increases the share capital is EUR 112 187 224.

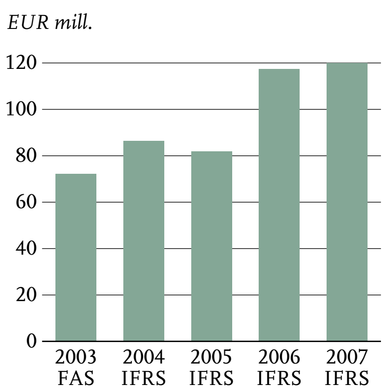
A total of 2 500 000 new Series B shares were eligible for subscription on the basis of the share options for 2000. During the subscription period, a total of 2 499 800 Stockmann Series B shares were subscribed for with the share options. The subscription period ended on April 1, 2007.

At December 31, 2007, Stockmann had 24 564 243 Series A shares and 31 529 369 Series B shares.

EQUITY RATIO 2003-2007



CASH FLOWS FROM OPERATING ACTIVITIES 2003-2007



Stockmann held 369 560 of its own Series B shares (treasury shares) at the end of 2007, 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 5.6 million.

The Annual General Meeting in 2006 authorized the Board of Directors to decide on the transfer of the company's own Series B shares in one or more instalments. The authorization will be valid for five years. The company's Board of Directors does not have valid authorizations to increase the share capital, to float issues of convertible bonds or bonds with warrants, or to buy back its own shares.

Board of Directors' proposals to the Annual General Meeting

The Board of Directors proposes to the Annual General Meeting that the Board be authorized to resolve on the issuance of shares and/or of special rights entitling holders to shares referred to in chapter 10, section 1 of the Companies Act in one or more instalments. The Board will be authorized to decide on the number of the Series A and Series B shares to be issued. Under the authorization, the total number of shares to be issued may not exceed the total maximum of 15 000 000 shares. The equity issue or the issuance of special rights can be carried out either in line with the pre-emptive subscription rights of existing shareholders, or in disapplication of the pre-emptive rights (rights issue). Under the authorization, the Board is entitled to decide on all terms and conditions of the equity issue and the issuance of special rights pursuant to chapter 10, section 1 of the Limited Liability Companies Act. The authorization remains in force for a maximum of three years as from the date of the Annual General Meeting. The purpose of the equity issue and/or issuance of special rights entitling to shares is to strengthen the company's capital structure by repayment of the borrowed capital raised for the acquisition of Lindex.

Up to now, Stockmann has twice carried out a share option programme directed at its Loyal Customers. They have proved beneficial, both from the company's standpoint and for Loyal Customers. Accordingly, the Board of Directors will propose to the Annual General Meeting that the programme be continued by granting a total maximum of 2.5 million share options 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, 2008 – December 31, 2009, 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 OMX Nordic Exchange Helsinki during the period February 1 – February 29, 2008.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 2011 – 2012. As a consequence of the subscriptions, the company's share capital can be increased by a maximum of EUR 5.0 million.

Number of employees in 2007

The Group had an average payroll of 11 161 employees in 2007, or 1 092 more than in the comparative period (10 069 employees in 2006 and 10 558 in 2005). The increase in the number of employees was attributable to the opening of a new department store in Russia, new Bestseller, Nike and Seppälä stores abroad and the acquisition of Lindex in December. Converted to full-time staff, Stockmann's average number of employees grew by 942 and was 8 979 employees (8 037 in 2006 and 8 537 in 2005). The Group's total wages and salaries grew by EUR 14.0 million from the comparative period and was EUR 181.9 million (EUR 167.9 million in 2006 and EUR 178.3 million in 2005).

At the end of December 2007, Stockmann had 8 294 employees working abroad. At the end of December of last year Stockmann had 3 477 people working abroad. The proportion of employees working abroad was 50 per cent of the total personnel (32 per cent).

Corporate social responsibility

Corporate social responsibility is part of the company's normal long-term operations. The focuses of Stockmann's corporate social responsibility are our own staff, the environment and far-reaching integrity in overseas sourcing. Stockmann's corporate social responsibility is discussed on pages 36 – 41 of the Annual Report.

Risk factors

With the acquisition of Lindex, the Stockmann Group's areas of operations expanded. Whereas the Group previously had operations in Finland, Russia and the Baltic countries, it now also operates in the well-established markets of Sweden and Norway as well as in the Czech Republic, where operations are in the start-up stage. The risk level of the business environment 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, apart from the present risks of an overheating of the economy, differ in any material respect from business risks in Finland.

Business risks in Russia are higher than in the Nordic countries and the Baltic area, and the operating environment is less stable owing to factors such as the business culture and the unde-

AVERAGE NUMBER OF EMPLOYEES CONVERTED TO FULL-TIME STAFF

	2003	2004	2005	2006	2007
Department Store Division	4 691	5 400	6 057	6 418	6 943
Lindex*					282
Hobby Hall	704	608	537	515	550
Seppälä	709	759	809	890	1 100
Management and administration	97	104	100	100	105
Continuing operations, total	**6 201**	**6 871**	**7 503**	**7 923**	**8 980**
Discontinued operations	867	941	1 034	114	
Total	7 068	7 812	8 537	8 037	8 980

*Lindex from December 6, 2007

veloped state of the infrastructure in the country concerned. 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 evolved favourably. The country's economic growth has been robust thanks to the strong impetus from export revenues in the energy sector. Stockmann has over 18 years of experience of operating in Russia's continually changing operating environment. Accordingly, even large changes in the operating environment in Russia are not estimated to result in a material increase in the Group's business risk.

Fashion accounts for about 53 per cent of the Group's sales. An inherent aspect of the fashion trade is the short life cycle of products and their dependence on trends, the seasonality of sales and their susceptibility to abnormal weather conditions. The Group responds to these factors as part of its day-to-day management of operations. Except for significant exceptional situations, these factors are not estimated to have a material effect on the Group's sales or earnings.

The Group's operations are based on flexibly run logistics and efficient goods flows. Delays or disturbances in flows of goods and information can have a temporarily detrimental effect on operations. Every effort is made to control these operational risks by developing appropriate back-up systems and alternative ways of operating as well as by investing in information systems that run in a snag-free manner. Operational risks are also met by taking out insurance cover. Operational risks are not estimated to have a material impact on Stockmann's business activities.

The Group's revenue and earnings are affected by changes in foreign exchange rates between the Group's reporting currency, the euro, and the Swedish krona, the Norwegian krone, the Russian rouble, the United States dollar as well as certain other currencies. Financial risks, including risks arising from interest rate fluctuations, are managed in accordance with the risk policy confirmed by the Board of Directors, and they are not estimated to have a material effect on the Group's business operations. Additional information on financial risks and their management is given in note 30 to the financial statements.

AB Lindex is involved in ongoing legal proceedings concerning the eligibility for deduction in Swedish taxation of losses of about EUR 70 million made by the Lindex Group's company in Germany. Lindex has won the previous legal proceedings in the matter in 2004/2005 and 2005/2006, but the Swedish tax authorities have appealed the decisions, and hearing of the case is continuing. Lindex has recorded against the losses a tax deduction of about EUR 21 million, including interest, which is recorded in earnings.

Lindex has also demanded a rectification of an assessment on the basis of the estimated earnings from operations in Germany during 2004 – 2006. The value of this rectification demand is about EUR 32 million, which has not been recorded in earnings.

The Group is engaged in legal proceedings concerning the validity of the leasehold on the Smolenskaya department store, which is located in the centre of Moscow, after April 1, 2008. The litigation concerns exercise of a 10-year continuation lease period under the lease agreement.

The Stockmann Group is not involved in other major pending litigation.

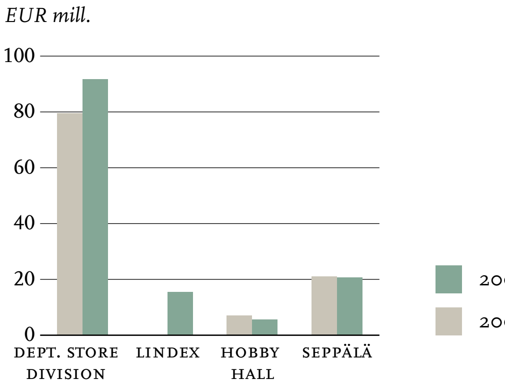
Outlook for 2008

Of late, uncertainty has increased greatly in the world economy as well as in the financial and equity markets. In the Stockmann Group's market areas in the Nordic countries, the Baltic area and Russia, this has nevertheless not been reflected in consumer demand. According to estimates, there will be further growth in consumption demand. The growth will be stronger in the Baltic countries and Russia than in the Nordic countries.

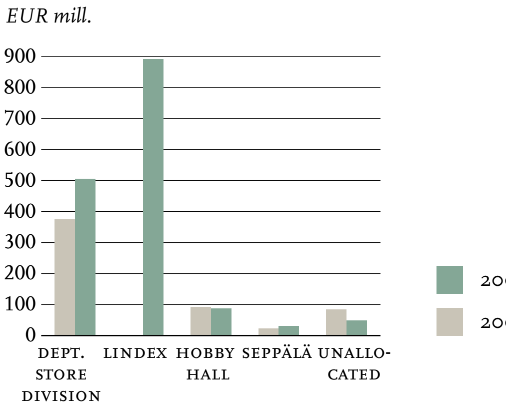
Lindex will be part of the Stockmann Group for all of 2008. Because sales by all the divisions are expected to be on a favourable trend, this means a strong increase in the Group's sales. Stockmann's consolidated sales are estimated to come in at approximately EUR 2.4 – 2.5 billion in 2008.

Operating profit from continuing operations is expected to improve and all the divisions are set to generate higher operating profit. Although the Group's financial expenses following the Lindex acquisition will increase clearly, the objective is to post higher profit in 2008 than in the previous year.

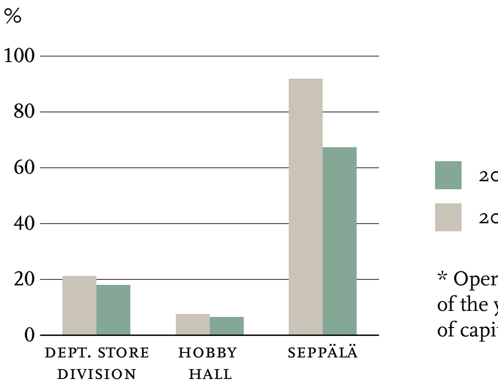
OPERATING PROFIT 2006-2007



CAPITAL EMPLOYED 2006-2007



ROCE %* 2006-2007



* Operating profit of the year 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 company's shares are in the book-entry system and they are listed on OMX Nordic Exchange Helsinki. The number of registered shareholders at December 31, 2007, was 39 137 (40 198 shareholders at December 31, 2006) representing 99.9 per cent of the company's shares outstanding.

Shares

General price trend

Share prices rose on OMX Nordic Exchange Helsinki during the financial year by 20.5 per cent as measured by the OMX Helsinki Index and by 3.8 per cent as measured by the OMX Helsinki CAP Index.

PRICE TREND OF STOCKMANN'S SHARES AND SHARE OPTIONS

	Closing prices Dec. 31, 2007 EUR	Closing prices Dec. 31, 2006 EUR	Change %
Series A	29.50	36.40	-19.0
Series B	29.66	36.48	-18.7
2000 options A		23.85	
2000 options B		22.00	
2000 options C		21.85	

TURNOVER OF STOCKMANN'S SHARES AND SHARE OPTIONS

	Number of shares and options	% of total shares outstanding	Average price EUR	EUR
Series A	694 805	2.8	23 595 884	33.90
Series B	20 681 660	65.6	698 320 091	33.77
Total	21 376 465		721 915 975	
2000 options A	36 878		788 780	21.39
2000 options B	38 713		801 179	20.70
2000 options C	80 007		1 596 026	19.93

The Stockmann shares and share options that were traded accounted for 0.2 per cent of the share turnover on the Helsinki stock exchange. The company's market capitalization at December 31, 2007 was EUR 1 659.8 million. The market capitalization at December 31, 2006 was EUR 2 028.6 million.

SHARE CAPITAL OF STOCKMANN PLC, DECEMBER 31, 2007

Series A	24 564 243	shares at EUR 2 each	49 128 486	EUR
Series B	31 529 369	shares at EUR 2 each	63 058 738	EUR
Total	56 093 612	shares at EUR 2 each	112 187 224	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. The share options were issued in the book-entry system, and they were listed on OMX Nordic Exchange Helsinki. The subscription period ended on April 1, 2007 and a total of 2 499 800 Series B shares were subscribed for with the share options.

Loyal Customer share options 2006

The Annual General Meeting held on March 21, 2006, approved the Board of Directors' proposal on granting share options to Stockmann's Loyal Customers. In accordance with the resolution of the Annual General Meeting, a total maximum of 2 500 000 share options will 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. The Loyal Customer purchases made by December 31, 2007, entitle to subscribe for a total of 1 998 840 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 OMX Nordic Exchange Helsinki during the period February 1 – February 28, 2006, or EUR 33.35. The subscription price of a share to be subscribed for with the share options will be lowered by the amount of Stockmann plc dividends paid after the end of the determination period for the share price, counting from the record date up to the date of the share subscription. The subscription periods for the shares are May 2, 2008 – May 31, 2008, May 4, 2009 – May 31, 2009 and May 2, 2010 – May 31, 2010. The subscription price after the dividend payout proposed by the Board of Directors for the 2007 financial year is EUR 29.60.

Key employee share options 2006

The Annual General Meeting held on March 21, 2006, approved the Board of Directors' proposal on granting share options to key employees of the Stockmann Group. A total of 1 500 000 share options will be granted to key employees belonging to the senior and middle management of Stockmann and its wholly-owned subsidiary. 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 Series B share on OMX Nordic Exchange Helsinki during February 1 – February 28, 2006, plus 10 per cent or EUR 36.69, and with share option 2006C and 2006D, the volume-weighted average price of the company's Series B share on OMX Nordic Exchange Helsinki during February 1 – February 29, 2008, plus 10 per cent. On the record date for each dividend payout, 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. The subscription price after the dividend payout proposed by the Board of Directors for the 2007 financial year on the basis of option A and option B is EUR 32.94 per share. The determination period for the subscription price on the basis of option C and option D has not yet commenced.

Own shares

At December 31, 2007, the company held 369 560 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.

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, 2003

Tecknade	Införda i handels-registret	Tecknings-pris euro	Nya aktier, st.	Nytt aktie-kapital, mn euro	Nya aktie-kapitalet mn euro
2003 Tecknade med stamkundsoptioner	2003	12.16	5 580 B	0.0	102.8
2003 Tecknade med optioner	2003	13.21	1 239 700 B	2.5	105.3
2004 Tecknade med optioner	2004	13.21	20 300 B	0.0	105.3
2004 Tecknade med stamkundsoptioner	2004	10.81	600 269 B	1.2	106.5
2004 Tecknade med optioner för nyckelpers. (från 2000) A	2004	14.95	91 950 B	0.2	106.7
2004 Tecknade med optioner för nyckelpers. (från 2000) B	2004	15.95	78 200 B	0.2	106.8
2004 Tecknade med optioner för nyckelpers. (från 2000) A	2005	14.95	4 900 B	0.0	106.8
2005 Tecknade med stamkundsoptioner	2005	8.81	343 902 B	0.7	107.5
2005 Tecknade med optioner för nyckelpers. (från 2000) A	2005	13.95	199 300 B	0.4	107.9
2005 Tecknade med optioner för nyckelpers. (från 2000) B	2005	14.95	145 880 B	0.3	108.2
2005 Tecknade med optioner för nyckelpers. (från 2000) C	2005	15.95	345 650 B	0.7	108.9
2005 Tecknade med optioner för nyckelpers. (från 2000) A	2006	13.95	5 200 B	0.0	108.9
2005 Tecknade med optioner för nyckelpers. (från 2000) B	2006	14.95	10 050 B	0.0	108.9
2005 Tecknade med optioner för nyckelpers. (från 2000) C	2006	15.95	8 100 B	0.0	109.0
2006 Tecknade med optioner för nyckelpers. (från 2000) A	2006	12.85	216 593 B	0.4	109.4
2006 Tecknade med optioner för nyckelpers. (från 2000) B	2006	13.85	265 688 B	0.5	109.9
2006 Tecknade med optioner för nyckelpers. (från 2000) C	2006	14.85	696 715 B	1.4	111.3
2006 Tecknade med optioner för nyckelpers. (från 2000) A	2007	12.85	63 385 B	0.1	111.5
2006 Tecknade med optioner för nyckelpers. (från 2000) B	2007	13.85	62 645 B	0.1	111.6
2006 Tecknade med optioner för nyckelpers. (från 2000) C	2007	14.85	66 835 B	0.1	111.7
2007 Tecknade med optioner för nyckelpers. (från 2000) C	2007	14.85	18 000 B	0.0	111.7
2007 Tecknade med optioner för nyckelpers. (från 2000) A	2007	11.55	43 572 B	0.1	111.8
2007 Tecknade med optioner för nyckelpers. (från 2000) B	2007	12.55	62 537 B	0.1	112.0
2007 Tecknade med optioner för nyckelpers. (från 2000) C	2007	13.55	114 600 B	0.2	112.2

Kommande teckningar med optioner*	Tecknings-tid	Tecknings-pris euro	Nya aktier, tusen st.	Nytt aktie-kapital, mn euro	Nya aktie-kapitalet mn euro	Andel av aktierna %	Andel av rösterna %
2008- Tecknade med stamkundsoptioner	2.5.08-31.5.08	33,35 /1					
2010	4.5.09-31.5.09	33,35 /1					
	2.5.10-31.5.10	33,35 /1	2 500 B	5.0	117.2	4.3	0.9
		minus dividender fr.o.m. 21.3.2006					
2008- Tecknade med optioner för nyckelpers. (från 2006) A	1.3.08-31.3.10	36,69 A/2	375 B				
2011 Tecknade med optioner för nyckelpers. (från 2006) B	1.3.09-31.3.11	36,69 B/3	375 B	1.5	118.7	1.3	0.3
		minus dividender fr.o.m. 21.3.2006					

*Om samtliga optioner utnyttjas

1 Teckningspris efter utbetalning av dividenden som styrelsen föreslagit för år 2007 är: 29,60 euro

2 Teckningspris efter utbetalning av dividenden som styrelsen föreslagit för år 2007 är: 32,94 euro

3 Teckningspris efter utbetalning av dividenden som styrelsen föreslagit för år 2007 är: 32,94 euro

OWNERSHIP STRUCTURE

	no.	Shareholders %	Percentage of shares %	Percentage of votes %
Households	37 896	96.8	20.4	18.8
Private and public corporations	566	1.5	13.5	16.4
Financial and insurance companies	49	0.1	4.2	1.0
Foundations and others	472	1.2	48.1	60.5
Foreign shareholders (incl. nominee registrations)	153	0.4	13.1	3.3
Unregistered shares			0.1	0.0
Shares owned by the company	1	0.0	0.7	0.1
Total	39 137	100.0	100.0	100.0

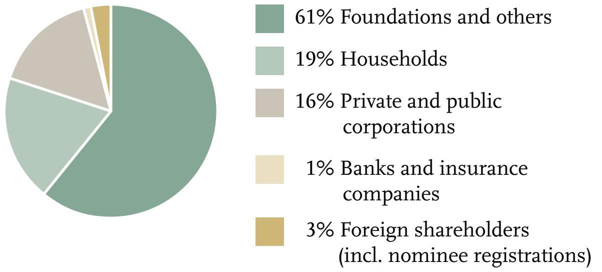
NUMBER OF SHARES

	no.	Shareholders %	Percentage of shares %
1-100	26 852	68.6	1.5
101-1000	9 815	25.1	6.6
1001-10000	2 240	5.7	10.2
10001-100000	186	0.5	8.9
100001-1000000	34	0.1	24.3
1000001-	10		48.5
Total	39 137	100.0	100.0

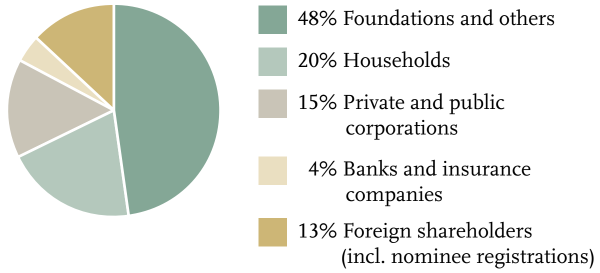
MAJOR SHAREHOLDERS AT DECEMBER 31, 2007

	Percentage of shares %	Percentage of votes %
1 Föreningen Konstsamfundet grouping	10.9	15.8
2 Svenska litteratursällskapet i Finland r.f.	8.9	17.2
3 Niemistö grouping	6.7	10.5
4 Etola Group	5.0	7.0
5 Stiftelsen för Åbo Akademi	4.6	6.7
6 Samfundet Folkhälsan i svenska Finland	2.7	3.2
7 Jenny ja Antti Wihurin rahasto	2.2	2.4
8 Tapiola Group	2.0	0.4
9 Inez och Julius Polins fond	1.9	0.9
10 Ilmarinen Mutual Pension Insurance Company	1.8	0.4
11 OP-Delta Fund	1.4	0.3
12 Wilhelm och Else Stockmanns Stiftelse	1.3	2.6
13 Sigrid Jusélius Stiftelse	1.3	2.4
14 Helene och Walter Grönqvists Stiftelse	1.0	1.7
15 Stiftelsen Bensows Barnhem Granhyddan	1.0	1.2
16 The State Pension Fund	0.9	0.2
17 Stiftelsen Brita Maria Renlunds minne	0.7	1.0
18 Varma Mutual Pension Insurance Company	0.7	1.3
19 Stockmann plc	0.7	0.1
20 Etera Mutual Pension Insurance Company	0.6	0.1
Total	56.3	75.3

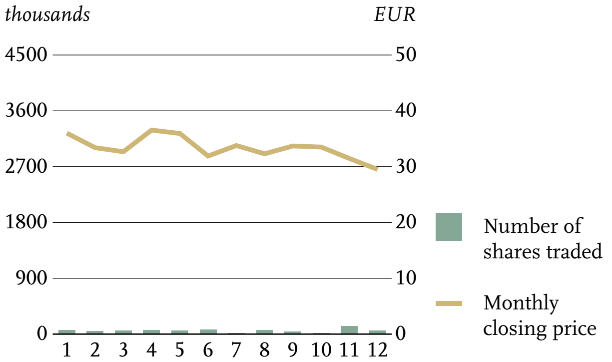
DISTRIBUTION OF VOTES



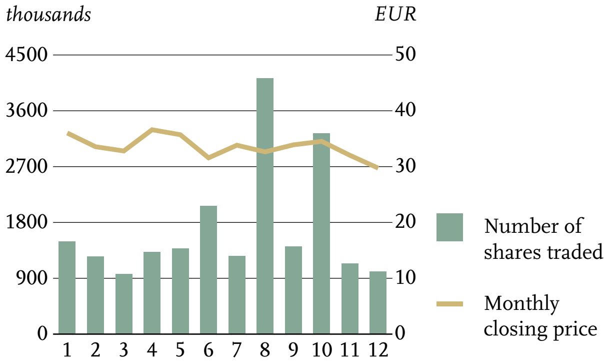
DISTRIBUTION OF SHARES



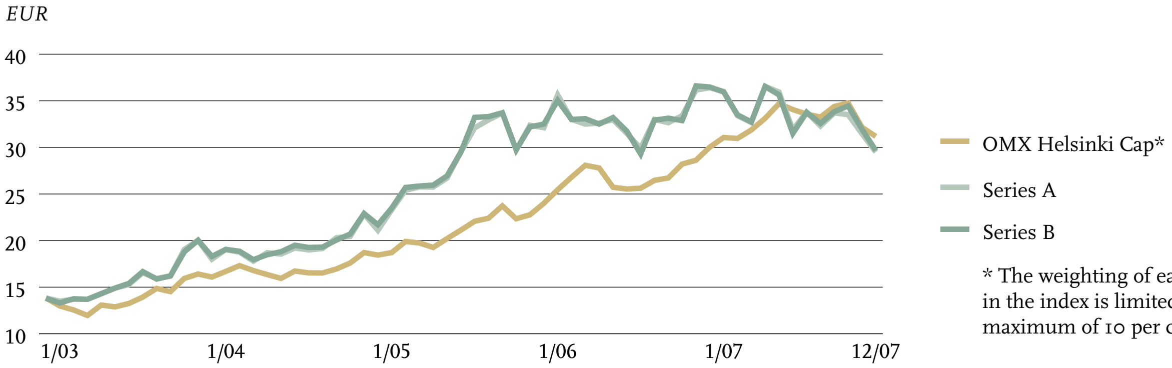
TURNOVER AND PRICE TREND OF SERIES A SHARES 2007



TURNOVER AND PRICE TREND OF SERIES B SHARES 2007

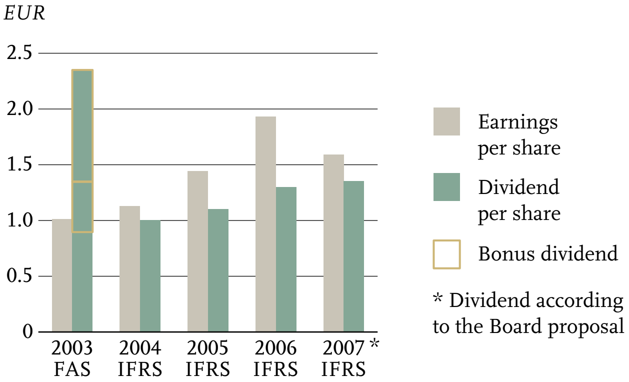


PRICE TREND OF SERIES A AND SERIES B (SHARE-ISSUE ADJUSTED) COMPARED WITH OMX HELSINKI CAP INDEX 2003-2007

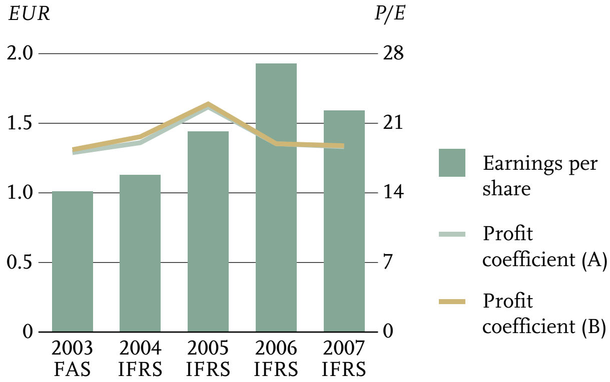


* The weighting of each company in the index is limited to a maximum of 10 per cent.

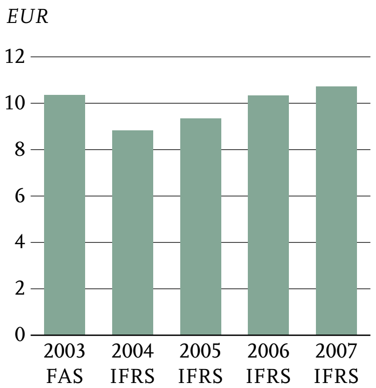
EARNINGS PER SHARE AND DIVIDEND PER SHARE 2003-2007



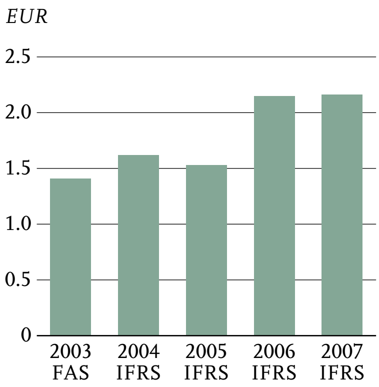
EARNINGS PER SHARE AND P/E RATIO 2003-2007 (SHARE-ISSUE-ADJUSTED)



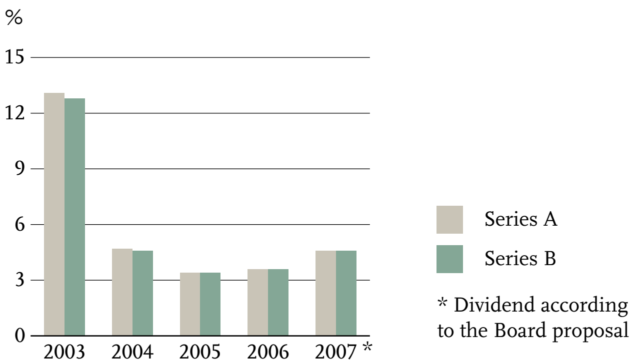
EQUITY PER SHARE 2003-2007



CASH FLOWS PER SHARE 2003-2007



EFFECTIVE YIELD OF SHARES 2003-2007



Key figures

Key figures

		FAS 2003	IFRS 2004	IFRS 2005	IFRS 2006	**IFRS 2007**
Sales	EUR mill.	1 698.6	1 735.0	1 851.3	1 552.6	**1 668.3**
Change on the previous year	%	7.4	2.1	6.7	-16.1	**7.4**
Revenue	EUR mill.	1 412.7	1 445.0	1 542.6	1 300.7	**1 398.2**
Change on the previous year	%	7.4	2.3	6.7	-15.7	**7.5**
Operating profit	EUR mill.	65.7	79.8	103.7	129.5	**125.2**
Change on the previous year	%	6.2	21.4	29.9	24.9	**-3.4**
Share of revenue	%	4.7	5.5	6.7	10.0	**9.0**
Profit before taxes	EUR mill.	74.0	78.9	102.8	128.9	**119.4**
Change on the previous year	%	7.9	6.7	30.2	25.4	**-7.4**
Share of revenue	%	5.2	5.5	6.7	9.9	**8.5**
Share capital	EUR mill.	105.3	106.8	109.0	111.7	**112.2**
Series A	EUR mill.	49.5	49.1	49.1	49.1	**49.1**
Series B	EUR mill.	55.8	57.7	59.8	62.6	**63.1**
Dividends	EUR mill.	123.3	53.0	59.5	72.1	**75.2** *
Return on equity	%	9.6	12.2	15.8	19.4	**15.2**
Return on capital employed	%	13.2	14.8	19.6	22.9	**12.1**
Capital employed	EUR mill.	594.6	562.5	544.2	573.8	**1 047.2**
Capital turnover rate		2.4	2.6	2.8	2.3	**1.3**
Inventories rate		5.0	4.9	4.7	5.0	**4.3**
Equity ratio	%	68.3	62.5	66.4	74.5	**32.6**
Gearing	%	-10.4	5.7	5.7	-6.3	**146.9**
Investment in fixed assets	EUR mill.	40.9	59.0	57.0	125.5	**977.4**
Share of revenue	%	2.9	4.1	3.7	9.6	**69.9**
Interest-bearing debtors	EUR mill.	111.4	116.6	111.8	98.9	**98.8**
Interest-bearing liabilities	EUR mill.	64.7	68.0	47.2	23.4	**905.6**
Interest-bearing net debt	EUR mill.	-168.0	-89.9	-83.3	-134.7	**773.6**
Total assets	EUR mill.	800.8	749.0	761.5	767.6	**1 823.7**
Staff expenses	EUR mill.	194.9	202.2	218.0	204.7	**224.1**
Share of revenue	%	13.8	14.0	14.1	15.7	**16.0**
Personnel, average	persons	8 745	9 589	10 558	10 069	**11 161**
Revenue per person	EUR thousands	161.5	150.7	146.1	129.2	**125.3**
Operating profit per person	EUR thousands	7.5	8.3	9.8	12.9	**11.2**
Staff expenses per person	EUR thousands	22.3	21.1	20.6	20.3	**20.1**

*) Board proposal to the AGM. According to the proposal, a dividend of EUR 1.35 per share will be paid.

Per-share data

Per-share data1)

		FAS 2003	IFRS 2004	IFRS 2005	IFRS 2006	IFRS 2007
Earnings per share	EUR	1.01	1.13	1.44	1.93	**1.59**
Earnings per share, diluted	EUR	1.00	1.11	1.42	1.90	**1.58**
Equity per share	EUR	10.36	8.83	9.34	10.34	**10.66**
Dividend per share	EUR	2.35	1.00	1.10	1.30	**1.35 ***
Dividend per earnings	%	232.7	88.5	76.4	67.4	**84.9 ***
Cash flow per share	EUR	1.41	1.62	1.53	2.16	**2.16**
Effective dividend yield	%					
Series A		13.1	4.7	3.4	3.6	**4.6**
Series B		12.8	4.6	3.4	3.6	**4.6**
P/E ratio of shares						
Series A		17.8	18.7	22.3	19.2	**18.6 ****
Series B		18.1	19.2	22.6	19.2	**18.7 ****
Share quotation at December 31	EUR					
Series A		18.00	21.10	32.11	36.40	**29.50**
Series B		18.30	21.70	32.53	36.48	**29.66**
Highest price during the period	EUR					
Series A		20.50	23.74	37.00	38.10	**37.49**
Series B		20.50	23.82	35.82	38.44	**37.84**
Lowest price during the period	EUR					
Series A		12.80	17.56	20.65	28.70	**29.05**
Series B		12.92	17.02	21.51	28.11	**29.47**
Average price during the period	EUR					
Series A		15.89	19.23	29.13	33.85	**33.90**
Series B		15.91	20.82	28.67	33.15	**33.77**
Share turnover	thousands					
Series A		1 781	1 054	825	819	**695**
Series B		8 895	10 979	14 665	19 440	**20 682**
Share turnover	%					
Series A		7.2	4.3	3.4	3.3	**2.8**
Series B		31.9	38.0	49.0	62.5	**65.6**
Market capitalization at December 31	EUR mill.	955.6	1 140.8	1 761.3	2 028.6	**1 659.8**
Number of shares at December 31	thousands	52 629	53 420	54 460	55 662	**56 094**
Series A		24 739	24 564	24 564	24 564	**24 564**
Series B		27 890	28 856	29 895	31 098	**31 529**
Weighted average number of shares	thousands	51 111	52 544	53 350	54 310	**55 606**
Series A		24 654	24 598	24 564	24 564	**24 564**
Series B		26 458	27 946	28 786	29 746	**31 042**
Weighted average number of shares, diluted	thousands	52 216	53 509	54 129	55 178	**55 815**
The own shares owned by the company	thousands	413	407	397	383	**370**
Series A		163				
Series B		250	407	397	383	**370**
Total number of shareholders at December 31		15 591	33 026	42 169	40 198	**39 137**

1) Adjusted for share issues.

*) Board proposal to the AGM. According to the proposal, a dividend of EUR 1.35 per share will be paid.

**) The dilution effect of options has been taken into account in the 2007 figures.

Definition of key indicators

Definition of key indicators

Profit before taxes	=	Operating profit + financial income - financial 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	$\frac{\text{Profit before taxes + interest and other financial expenses}}{\text{Capital employed}}$
Capital employed	=	Total assets less deferred tax liability and other non-interest-bearing liabilities (average over the year)
Capital turnover rate	=	$\frac{\text{Revenue}}{\text{Total assets less deferred tax liability and other non-interest-bearing liabilities (average over the year)}}$
Inventories rate		$\frac{\text{365}}{\text{Inventories turnover time}}$
Equity ratio, %	= 100 x	$\frac{\text{Equity + minority interest}}{\text{Total assets less advance payments received}}$
Gearing, %	= 100 x	$\frac{\text{Interest-bearing liabilities less cash and cash equivalents}}{\text{Equity total}}$
Interest-bearing net debt	=	Interest-bearing liabilities less cash and cash equivalents less interest-bearing liabilities
Earnings per share	=	$\frac{\text{Profit before taxes - minority interest - income taxes}}{\text{Average number of shares, adjusted for share issues 1)}}$
Equity per share	=	$\frac{\text{Equity - fund for own shares}}{\text{Number of shares on the balance sheet date, adjusted for share issues 1)}}$
Dividend per share	=	Dividend per share, adjusted for share issues
Dividend per earnings, %	= 100 x	$\frac{\text{Dividend per share}}{\text{Earnings per share}}$
Cash flow per share	=	$\frac{\text{Cash flow from operating activities}}{\text{Average number of shares, adjusted for share issues 1)}}$
Effective dividend yield, %	= 100 x	$\frac{\text{Dividend per share, adjusted for share issues}}{\text{Share quotation at December 31, adjusted for share issues}}$
P/E ratio of shares	=	$\frac{\text{Share quotation at December 31, adjusted for share issues}}{\text{Earnings per share}}$
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 date

1) Without the own shares owned by the company

Consolidated income statement

Consolidated income statement

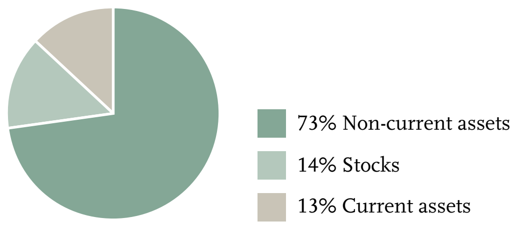
EUR mill.	Ref.	Jan.1- Dec. 31, 2007 Continuing operations Total	% of Rev.	Jan.1- Dec. 31, 2006 Continuing operations	Dis-continued operations	Total	% of Rev.
REVENUE	**2**	**1 398.2**	**100.0**	1 239.6	61.1	1 300.7	100.0
Other operating income	**5**	**9.7**	**0.7**	5.1	29.3	34.4	2.6
Raw material and consumables used		**798.8**		710.6	5.9	716.5	
Change in inventories, increase (-), decrease (+)		**-7.6**		10.6	46.6	57.1	
Raw material and consumables used, total	**6**	**791.2**	**56.6**	721.1	52.5	773.6	59.5
Wages, salaries and employee benefits expenses	**7**	**224.1**	**16.0**	199.3	5.4	204.7	15.7
Depreciation and impairment losses	**8**	**36.9**	**2.6**	31.8	0.3	32.1	2.5
Other operating expenses	**9**	**230.6**	**16.5**	192.6	2.6	195.1	15.0
		1 282.7	**91.7**	1 144.8	60.8	1 205.6	92.7
OPERATING PROFIT		**125.2**	**9.0**	99.9	29.6	129.5	10.0
Financial income	**10**	**1.3**	**0.1**	1.8		1.8	0.1
Financial expenses	**10**	**-7.0**	**-0.5**	-2.3	0.0	-2.3	-0.2
PROFIT BEFORE TAXES		**119.4**	**8.5**	99.4	29.6	128.9	9.9
Income taxes	**11**	**31.1**	**2.2**	24.2	0.1	24.3	1.9
PROFIT FOR THE PERIOD		**88.4**	**6.3**	75.2	29.5	104.7	8.0
ATTRIBUTABLE TO:							
Equity holders of the parent company		**88.4**		75.2	29.5	104.7	
Minority interest		**0.0**		0.0		0.0	
		88.4		75.2	29.5	104.7	
Earnings per share		**2007**		2006	2006	2006	
Basic		**1.59**		1.39	0.54	1.93	
Diluted		**1.58**		1.37	0.53	1.90	
Average number of shares, thousands		**2007**				2006	
Basic		**55 606**				54 310	
Diluted		**55 815**				55 178	

Consolidated balance sheet

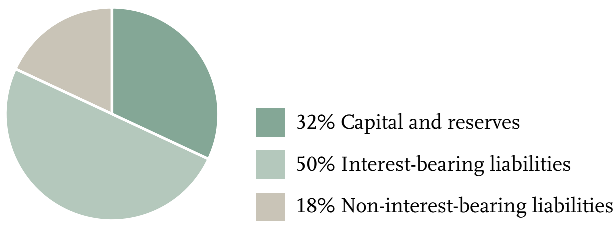
Consolidated balance sheet	Ref.	Dec. 31, 2007 EUR mill.	Dec. 31, 2006 EUR mill.
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	13		
Goodwill		720.0	
Brand		96.4	
Intangible rights		21.6	6.3
Other intangible assets		6.5	
Intangible assets, total		844.5	6.3
Property, plant and equipment	14		
Land and water		38.8	39.9
Buildings and constructions		136.1	132.1
Machinery and equipment		97.5	51.8
Modification and renovation expenses for leased premises		59.8	49.3
Advance payments and construction in progress		144.5	79.1
Property, plant and equipment, total		476.8	352.2
Available-for-sale investments	16	6.5	6.5
Non-current receivables	24	1.7	
Deferred tax assets	23	5.3	2.5
NON-CURRENT ASSETS, TOTAL		1 334.8	367.5
CURRENT ASSETS			
Inventories	17	244.4	155.0
Current receivables	18,24		
Receivables, interest-bearing		98.8	98.9
Receivables, non-interest-bearing		110.4	86.5
Income tax receivable		2.1	0.5
Current receivables, total		211.3	185.9
Cash and cash equivalents	19,24	33.2	59.2
CURRENT ASSETS, TOTAL		488.9	400.1
ASSETS, TOTAL		1 823.7	767.6

Consolidated balance sheet	Ref.	Dec. 31, 2007 EUR mill.	Dec. 31, 2006 EUR mill.
EQUITY AND LIABILITIES			
EQUITY	20		
Share capital		**112.2**	111.3
Share issue			0.4
Share premium fund		**186.0**	183.4
Other funds		**44.6**	44.1
Translation difference		**0.0**	0.0
Retained earnings		**250.9**	232.3
Equity attributable to equity holders of the parent		**593.8**	571.6
Minority interest		**0.0**	0.0
EQUITY, TOTAL		**593.8**	571.6
NON-CURRENT LIABILITIES			
Deferred taxes liabilities	23	**57.3**	26.2
Non-current liabilities, interest-bearing	21,24	**855.4**	23.4
Provisions for pensions	25	**3.2**	
Non-current provisions		**2.1**	
NON-CURRENT LIABILITIES, TOTAL		**918.0**	49.6
CURRENT LIABILITIES	22		
Current liabilities, interest-bearing	24	**50.1**	
Current liabilities, non-interest-bearing			
Trade payables and other current liabilities	24	**253.4**	145.9
Income tax liability		**8.3**	0.5
Current liabilities, non-interest-bearing, total		**261.7**	146.4
CURRENT LIABILITIES, TOTAL		**311.8**	146.4
LIABILITIES, TOTAL		**1 229.8**	196.0
EQUITY AND LIABILITIES, TOTAL		**1 823.7**	767.6

ASSETS 2007



FINANCING 2007



Statement of change in equity

Statement of changes in equity

EUR mill.	Share capital*	Share premium fund	Other funds	Fair value reserve**	Translation difference	Retained earnings	Total	Minority interest	Equity total
	Equity attributable to equity holders of the parent								
Equity December 31, 2005	**109.0**	**166.5**	**44.1**		**0.0**	**185.7**	**505.3**	**0.0**	**505.3**
Options exercised	2.7	16.7					19.5		19.5
Share bonus		0.2				0.2	0.4		0.4
Transfer to other funds			0.0				0.0		0.0
The adjustment corresponding the expenses of share options						1.3	1.3		1.3
Dividends						-59.5	-59.5		-59.5
Translation differences					0.0	0.0	0.0		0.0
Profit for the period						104.7	104.7	0.0	104.7
Equity December 31, 2006	**111.7**	**183.4**	**44.1**		**0.0**	**232.3**	**571.6**	**0.0**	**571.6**
Options exercised	0.5	2.6					3.1		3.1
Share bonus						0.4	0.4		0.4
Transfer to other funds			0.0				0.0		0.0
The adjustment corresponding the expenses of share options						1.9	1.9		1.9
Cash flow hedges				0.5			0.5		0.5
Dividends						-72.1	-72.1		-72.1
Translation differences					0.0	0.0	0.0		0.0
Profit for the period						88.4	88.4	0.0	88.4
Equity December 31, 2007	**112.2**	**186.0**	**44.1**	**0.5**	**0.0**	**250.9**	**593.8**	**0.0**	**593.8**

*including share issue

**excluding deferred tax liability

Consolidated cash flow statement

Consolidated cash flow statement

	Ref.	**2007 EUR millions**	2006 EUR millions
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the financial year		**88.4**	104.7
Adjustments:			
Deprecation		**36.9**	32.1
Profit (-) and loss (+) from sales of non-current assets			-34.4
Financial expenses		**7.0**	2.3
Financial income		**-1.3**	-1.8
Income taxes		**31.1**	24.3
Other adjustments	**20,29**	**1.2**	1.7
Changes in working capital:			
Change in trade and other receivables		**-11.0**	1.7
Change in inventories		**-12.5**	5.2
Change in trade payables and other liabilities		**8.8**	11.2
Interest paid		**-6.5**	-2.5
Interest received		**1.3**	1.1
Income taxes paid		**-23.5**	-28.2
NET CASH FROM OPERATING ACTIVITIES		**119.9**	117.4
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments in tangible and intangible assets		**-113.2**	-112.2
Acquisition of subsidiary net cash acquired	**3**	**-852.5**	-12.7
Disposal of subsidiaries less cash at date of disposal	**4**		105.0
Capital expenditures on other investments			-0.5
Cash from tangible assets			8.4
Cash from other investments			0.9
Dividends received		**0.1**	0.1
NET CASH USED IN INVESTING ACTIVITIES		**-965.6**	-11.0
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in loans granted, increase (-), decrease (+)			0.3
Proceeds from issue of share capital		**5.8**	17.2
Proceeds from short-term borrowings		**85.5**	10.0
Repayments of loans		**-50.0**	-33.6
Proceeds from long-term borrowings		**835.6**	
Dividends paid		**-72.1**	-59.5
NET CASH USED IN FINANCING ACTIVITIES		**804.8**	-65.6
Change in cash and cash equivalents		**-40.9**	40.8
Cash and cash equivalents at start of the financial year		**59.2**	18.4
Translation differences in cash and cash equivalents		**0.4**	
Cash and cash equivalents		**33.2**	
Current account with overdraft facility		**-14.6**	
Cash and cash equivalents at end of the financial year		**18.6**	59.2

Notes to the consolidated financial statements

1. 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 Group's primary field of business is retail. The parent company's shares are listed on the OMX Nordic Exchange Helsinki.

General

Stockmann's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), complying with the IAS and IFRS standards as well as the IFRIC and SIC interpretations in force at December 31, 2007. 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 that supplements IFRS regulations. Stockmann adopted International Financial Reporting Standards (IFRS) as from January 1, 2005, applying IFRS 1: First-time Adoption of International Financial Reporting Standards.

As from January 1, 2007, the Group has applied the following new and revised standards and interpretations:

- Amendment to IAS 23 Borrowing Costs
- IFRS 7 Financial Instruments: Disclosures
- Amendment to IAS 1 Presentation of Financial Statements – Capital Disclosures
- IFRIC 8 Scope of IFRS 2
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 10 Interim Financial Reporting and Impairment

In accordance with the amendment to IAS 23, the Group capitalizes material borrowing costs directly attributable to the acquisition, construction or production of an asset in the acquisition cost. The Group has adopted the amended standard as from the beginning of 2007, and EUR 1,8 million has been capitalized in property, plant and equipment in the financial statements, which had no essential effect on earnings per share.

The adoption of the amendment to IAS 1 and IFRS 7 has resulted in additional disclosures in the Notes to the consolidated financial statements. IFRIC 8, IFRIC 9 and IFRIC 10 have not affected the consolidated financial statements.

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.

Critical accounting policies requiring management's judgments and key sources of estimation uncertainty

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 income and expenses for the financial period. In addition, judgment has to be used and estimates made in applying accounting policies to, for example, depreciation periods, impairment testing, deferred tax assets and provisions. The actual amounts can differ from the underlying estimates and assumptions.

In business combinations, the Group has used an external advisor in assessing the fair values of tangible and intangible assets. In the assessment of tangible assets, the market prices of equivalent assets have been used for comparison purposes and the decrease in the value of the assets due to age, wear and tear, and other comparable factors has been estimated. The fair values of intangible assets are based on estimates of their future cash flows. Additional information on the measurement of intangible assets acquired in business combinations is presented in Note 3.

Estimates made in preparing the financial statements are based on management's best knowledge at the balance sheet date. The key sources of estimation uncertainty that pose the most significant risk of substantial changes in the carrying amounts of the Group's assets and liabilities during the next financial period are related to goodwill, as detailed in Note 13.

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 over which the parent company otherwise has control.

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 fair 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 period is attributed 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. Participations in mutual property management companies owned by Group companies have been treated as jointly controlled assets. 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. Joint ventures acquired during the year have been consolidated as from the date of acquisition. The Stockmann Group does not have associates.

Segment reporting

The business operations of Stockmann plc and its subsidiaries are divided into four business segments: the Department Store Division, which carries on department store and specialty trade; Hobby Hall, a distance retailer; Seppälä, a fashion retailer; and Lindex, a fashion retailer acquired in 2007. The segment Unallocated includes functions serving the entire Group. The Group's secondary, geographical segments are Finland, Sweden and Norway, the Baltic countries and the Czech Republic and Russia. Discontinued operations in the 2006 comparative year include the Stockmann Auto segment and the Zara-Russia businesses.

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 recognized in the amounts of each company's functional currency, applying the exchange rate on the date of the transaction. Receivables and liabilities at the balance sheet date are translated at the balance sheet date exchange rate. Exchange differences arising on translation are recognized 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 translation difference arising from the translation of income statement items at the average rate and balance sheet items at the rate at the balance sheet date is recognized as a separate item in equity. Translation differences arising from the elimination of the acquisition cost of foreign subsidiaries and from the translation of equity items accrued after their acquisition and fair value changes in financial instruments designated as net investment hedges are recognized in shareholders' equity. When a subsidiary is divested in full or in part, the cumulative translation differences are recognized in the income statement as part of gain or loss on disposal.

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 at the date of the transaction.

The goodwill arising from the acquisition of foreign operations and the fair value adjustments made in the carrying amounts of the assets and liabilities of said operations in connection with their acquisition are treated as assets and liabilities of foreign operations and converted to euros using the exchange rates at the balance sheet date.

Cumulative translation differences that have accrued prior to the date of transition to IFRS are recognized 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 joint ventures have been recognized, 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 cumulative translation difference is recognized in the income statement as part of the gain or loss on disposal.

Recognition of income and revenue

Revenue from the sale of goods is recognized when the significant risks and benefits of ownership have been transferred to the buyer. Most of the Group's income comes from the retail sale of goods paid with cash or credit card. Income is recognized at the time of sale.

For distance sales, provision is made for future return by creating, at the end of each month a return accrual, which is based on experience and serves to adjust the sales figures. Interest on Hobby Hall's one-time consumer credits is included in the selling price and recognized in revenue. A provision is made for unused Lindex Club points accumulated by customers. The amount of the provision is based on experience and sales statistics and it is recognized for the same financial period as the sale it is connected to.

Income from services is recognized when the service has been rendered.

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 property, plant and equipment as well as other expenses related to the actual sale of goods and services. Interest income received on interest-bearing trade receivables is recognized as a reduction in other operating expenses.

Employee benefits

Pension obligations

Pension plans are classified as defined benefit and defined contribution plans. In Finland and most of the Stockmann Group's other business countries, statutory and voluntary pension plans are defined contribution plans.

Payments for defined contribution plans are made to a pension insurance company. Payments made for defined contribution plans are recognized in the income statement in the financial period which the debit concerns.

Defined-benefit pension plans are based on actuarial calculations that are in turn based on assumptions about the discount rate, expected returns on plan assets, future pay increases, inflation and the personnel age structure. Estimates made on the basis of these assumptions affect the total amount of the plan assets and the pension obligation. Actuarial gains and losses are recognized in the income statement during future financial periods over the average remaining working lives of employees insofar as they exceed ten per cent of the existing pension obligation or ten per cent of the fair value of the plan assets. The plan assets, measured at their fair value at the balance sheet date, the share of the unrecognized actuarial gains and losses, and past service cost are deducted from the present value of the pension obligation that is to be recognized in the balance sheet.

Equity compensation benefits and share-based payments

Share options, which are granted for key employees and loyal customers, are measured at fair value at the time they are granted and recognized as an expense in the income statement in even instalments during the vesting period. The expense corresponding to the fair value of share options granted will be recognized in employee benefit expenses in respect of key employee options and in other operating expenses in respect of loyal customer options, and a corresponding amount will be recognized in equity. The fair value of options granted is determined using the Black-Scholes model, which takes into account the market conditions affecting the share options at the grant date. In addition, the number of share options to be exercised and the probable vesting period are estimated finally at the grant date. The amount to be expensed is adjusted subsequently in line with the number of share options finally granted.

In accordance with the transitional provisions of IFRS 2, options granted prior to November 7, 2002, and handed over to the option holders prior to January 1, 2005, have not been treated by recognizing them through profit or loss. No share option scheme of the type described above has been open after April 2007.

When share options are exercised, cash payments received from share subscriptions with options granted prior to the entry into force of the new Companies Act are recognized, adjusted for any transaction costs, in share capital and the share premium fund. Funds received from share subscriptions under share option schemes concluded after the entry into force of the new Companies Act are recognized, adjusted for any transaction costs, in the fund for investments of non-restricted equity.

Group management has a share bonus system, the expenses of which are recognized in the income statement as employee benefit expenses for the financial period in which the share bonus has vested on the basis of the profit earned. More information on the system is presented in Note 29.

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 carrying amount and the tax base. The largest temporary differences arise from the differences between the carrying amounts and tax bases of property, plant and equipment, unused tax losses, fair value measurement of assets and liabilities in business combinations, the fair value measurement of derivative contracts and other temporary differences. Deferred taxes are not recognized for tax purposes on non-deductible impairment losses on goodwill.

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

Deferred taxes are recognized in full. Tax assets are recognized to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized.

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.

Goodwill and other intangible assets

The goodwill arising from the acquisition of a company comprises of the difference between the acquisition cost and the identifiable net assets acquired, which are measured at fair value. Neither goodwill nor the Lindex brand are amortized. The brand is deemed to have an indefinite useful life due to high brand awareness. The Lindex brand has existed for over 50 years and the Group will continue to use the brand both in its present markets and when the Lindex product range and business model are introduced into new markets. Other intangible assets include supplier and customer relationships, which are acquired at fair value at the time of business combination, as well as intangible rights and software that are measured at acquisition cost. Other intangible assets are amortized on a straight-line basis over their estimated useful lives.

The amortization periods of intangible assets (years) are:

• supplier relationships	2
• customer relationships	5
• software	5 - 7
• other intangible rights	5

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

Property, plant and equipment

Land areas, buildings 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 amount according to the previous accounting policies and have been deemed to constitute a part of the acquisition cost under IFRS. Property, plant and equipment also includes modification and renovation costs of leased premises that is due, notably, to 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 useful lives of differing length, the components are treated as separate items of property, plant and equipment. Subsequent costs are recognized as a part of the acquisition cost when they increase the future useful life of the asset. Other costs, such as normal maintenance and repair measures, are recognized in the income statement as expenses when they are incurred.

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

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

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

Borrowing costs

Borrowing costs are primarily expensed in the financial period during which they arise. However, borrowing costs arising from a significant and long-term investment project in property, plant and equipment are included in the acquisition cost of the asset in question.

Impairment of assets

The carrying amounts of asset items are assessed regularly to determine whether there is any indication that an asset may be impaired. If there are indications of impairment, the recoverable amount of the asset is determined. Goodwill and the brand are allocated to cash-generating units and they are tested annually to determine any impairment. An impairment loss is recognized when the carrying amount of the asset item or cash-generating unit is greater than its recoverable amount. Impairment losses are recognized 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 allocated 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 recognized in previous years.

Leases

Lease agreements in accordance with IAS 17 Leases, in which the Group assumes substantially all the 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 recognized in property, plant and equipment, and the obligations under the agreement are recognized in interest-bearing liabilities. Lease payments under a finance lease agreement are split between interest expenses and a reduction in lease liabilities.

Finance lease agreements in accordance with IAS 17 are recognized 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 asset or, if lower, at the present value of the minimum lease payments. Depreciation according to plan is recognized on assets obtained on a finance lease, and any impairment losses are recognized. Items of property, plant and equipment are depreciated according to the Group's depreciation periods, or, if shorter, the lease term.

The Stockmann Group is neither a lessor nor a lessee in lease agreements that should be interpreted as finance lease agreements.

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

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 costs.

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. The retail method according to IAS 2 is used for the measurement of inventories at the Department Store Division in Finland, whereas the weighted average cost method is used at other units.

Assets held for sale and discontinued operations

Asset items under the heading Non-current assets held for sale and discontinued operations are measured, in accordance with IFRS 5, at the lower of their carrying amount or fair value less estimated selling costs. When an asset item is classified within non-current assets as held for sale or a disposal group, it is not depreciated. A non-current asset held for sale or asset items included in a disposal group are presented in the balance sheet separately from other asset items. Likewise, liabilities connected with a disposal group are presented as an item of their own in the balance sheet.

Assets classified within discontinued operations in 2006, the comparative year, were the Stockmann Auto segment in its entirety and the Zara business in Russia, which previously belonged to the Department Store Division segment.

These businesses were sold during 2006. At the balance sheet date, the Group does not have discontinued operations or non-current assets held for sale in the meaning of IFRS 5.

Financial instruments

Financial instruments are classified under IAS 39 into the following groups: loans and other receivables; financial assets and liabilities at fair value through profit or loss; available-for-sale financial assets and other liabilities.

Loans and other receivables are non-derivative financial assets whose related payments are fixed or determinable and which are not quoted in active markets. They are measured at amortized cost. They are included in current or non-current assets in the balance sheet in accordance with their nature, in the latter if they mature in over 12 months. Trade receivables are recognized at their fair value in the balance sheet on initial recognition. The amount of doubtful accounts is estimated on the basis of experience. Doubtful accounts are recognized in the income statement as an impairment loss by recognizing the difference between the original value and the recoverable amount of each group of receivables and the discounted value.

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 recognized 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 at the balance sheet date. Changes in fair value are recognized 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 recognized on the investment. Unlisted shares are stated at cost if their fair values cannot be measured reliably. If the fair value of an investment in shares is substantially or permanently lower than the acquisition cost, an impairment loss is recognized.

Purchases and sales of financial assets are recognized at 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 from the balance sheet when the company relinquishes the item's contractual rights to it, the rights expire or the company loses control over the item.

Interest-bearing liabilities are classified as other liabilities and are measured at fair value based on the consideration originally recognized in the accounts. Transaction costs are included in the original carrying amount 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.

Derivative financial instruments are classified as financial assets or liabilities at fair value through profit or loss, and changes in their fair value 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 finance income and expenses in the income statement. At the balance sheet date, the Group did not have any outstanding interest rate swaps.

The fair value of currency forwards and interest rate swaps is calculated by measuring them at their market prices at the balance sheet date. The fair value of currency options is calculated using the Black & Scholes model. The results of the measurement of currency derivatives are recognized through profit or loss, except for currency derivatives to which hedge accounting for cash flow hedges as defined in IAS 39 is applied.

Hedge accounting is applied to certain currency derivatives that are used in hedging forecast foreign-currency denominated sales and purchases and which meet the hedge accounting requirements of IAS 39. The hedged cash flow must be highly probable and ultimately affect profit or loss. Changes in the fair value of derivative contracts taken out to hedge cash flows are recognized in the fair value reserve under equity and any ineffective component is recognized through profit or loss. Cumulative changes in fair value in equity are recognized in items adjusting sales or purchases through profit or loss in the same period as the forecast transactions covered by hedge accounting are recognized in the income statement. If a hedged cash flow is no longer expected to be realized, the related fair value change that has been recognized for the hedging instrument directly to equity is transferred to the income statement.

Hedge accounting is applied to certain foreign currency-denominated loans that hedge foreign currency-denominated net investments in foreign operations. Changes in the fair value of the hedging instrument are recognized in the translation difference in shareholders' equity. Gains and losses from the hedging of net investments that are recognized in translation differences are transferred to the income statement when the net investment is disposed of in full or in part.

The hedging relationship between the hedged item and the hedging instrument 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. The hedging relationship must be effective, and the effectiveness is reviewed both at the inception of the hedge and subsequently. Effectiveness testing is done at each balance sheet date.

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 values of cash and cash equivalents are assumed to approximate their carrying amounts because of their short maturities. The account with an overdraft facility, which is payable on demand and is part of the Group's cash management, is presented as a part of cash and cash equivalents in the cash flow statement.

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 tax. If the acquired shares are sold or transferred as consideration, the consideration received less tax is recognized in equity.

Dividends payable

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

Application of new or revised IFRS standards and interpretations

The Group adopts each standard and interpretation as from the date it becomes effective or, if the effective date is not the first day of the financial period, as from the beginning of the next financial period.

IFRS 8 Operating Segments, effective on January 1, 2009 or subsequent financial years, replaces IAS 14 Segment Reporting. In the Group's estimation, the new standard will not substantially change current segment reporting, as the Group now uses business segments that are defined in line with internal reporting as the primary reporting format. The presentation of geographical segment information will change. In the Group's estimation, the adoption of IFRS 8 will mainly affect the presentation of segment information in the Notes to the financial statements.

The amendment to IAS 1 Presentation of Financial Statements, effective on January 1, 2009 or subsequent financial periods. In the Group's estimation, the amendment will mainly affect the presentation of the income statement and the statement of changes in equity. The revised standard has not as yet been approved for application in the EU.

IFRIC interpretations IFRIC 11 IFRS 2 - Group and Treasury Share Transactions, IFRIC 12 Service Concession Arrangements, IFRIC 13 Customer Loyalty Programmes, IFRIC 14 IAS 19 - IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The adoption of IFRIC 13 is estimated to have an effect on the recognition and measurement of customer returns, while the adoption of the other interpretations is not expected to have a material effect on the Group's financial statements in coming years.

2. Segment information

The Stockmann Group's primary business segments are the Department Store, Lindex, 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. At 31 December 2007, the Department Store Division comprised seven department stores, four Zara stores and 16 Stockmann Beauty stores in Finland, four department stores, 18 Bestseller stores, six Nike stores and two other speciality stores in Russia as well as a department store in Estonia and in Latvia.

Lindex

Lindex is a chain of fashion stores in Sweden, Norway, Finland, Estonia, Latvia, Lithuania and Czech. At December 2007, it had 193 stores in Sweden, 89 in Norway 51 in Finland 3 in Estonia, 7 in Latvia, two in Lithuania and 1 in Czech.

Hobby Hall

Hobby Hall carries on distance retailing of consumer goods in Finland, Estonia, Latvia, Lithuania and Russia. It has in Finland two stores and in Estonia one store that support its distance retailing operations.

Seppälä

Seppälä is a chain of fashion stores in Finland, Russia, Estonia, Latvia and Lithuania. Its operations are based on its own design. At December 2007, it had 128 stores in Finland, 15 in Estonia, nine in Latvia, six in Lithuania and 27 in Russia.

Exchange rates		**Closing rates**		**Average yearly rate**	
Country	Currency	Dec.31, 2007	Dec.31, 2006	2007	2006
Russia	RUB	35.9860	34.6800	35.0183	34.1109
Estonia	EEK	15.6466	15.6466	15.6466	15.6466
Latvia	LVL	0.6964	0.6972	0.7001	0.6962
Sweden	SEK	9.4415	9.0404	9.2501	9.2544
Lithuania	LTL	3.4528	3.4528	3.4528	3.4528

2. SEGMENT INFORMATION, JANUARY 1 - DECEMBER 31, 2007

BUSINESS SEGMENTS

EUR millions	Department Store Division	Lindex	Hobby Hall	Seppälä	Un-allo-cated 1)	Elimi-nations	Continuing operations	Dis-continued operations	Group
Income statement information, Jan. 1 - Dec. 31									
Sales	1 218.1	68.1	206.5	174.7	0.8		1 668.3		1 668.3
Revenue	1 025.0	54.7	171.7	145.1	1.7		1 398.2		1 398.2
Operating profit	91.8	15.0	5.7	20.7	-7.5	-0.7	125.2		125.2
Depreciation	28.9	1.3	2.4	3.5	0.7		36.9		36.9
Balance sheet information, Dec. 31									
Capital expenditures	111.5	853.1	3.5	9.3			977.4		977.4
Assets 2)	652.4	992.9	102.7	44.7	30.9		1 823.7		1 823.7
Non-interest-bearing liabilities 3)	125.9	100.8	14.5	11.5	71.7		324.3		324.3
Interest-bearing liabilities					905.6		905.6		905.6
Number of employees, average	8 606	387	649	1 414	105		11 161		11 161

SEGMENT INFORMATION, JANUARY 1 - DECEMBER 31, 2006

BUSINESS SEGMENTS

EUR millions	Department Store Division	Hobby Hall	Seppälä	Un-allo-cated 1)	Elimi-nations	Continuing operations	Dis-continued operations	Group
Income statement information, Jan. 1 - Dec. 31								
Sales	1 119.0	199.8	158.1	0.9		1 477.8	74.8	1 552.6
Revenue	941.3	165.9	130.8	1.7		1 239.6	61.1	1 300.7
Operating profit	79.5	7.1	21.1	-8.0	0.2	99.9	29.6	129.5
Depreciation	25.9	2.7	2.0	1.2		31.8	0.3	32.1
Balance sheet information, Dec. 31								
Capital expenditures	115.3	3.2	6.1	0.9		125.5		125.5
Assets 2)	557.9	104.0	38.0	67.7		767.6		767.6
Non-interest-bearing liabilities 3)	122.0	13.9	10.9	25.8		172.6		172.6
Interest-bearing liabilities				23.4		23.4		23.4
Number of employees, average	8 014	644	1 194	101		9 953	116	10 069

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 and other receivables
3. Segment liabilities include trade payables and other non-interest-bearing liabilities

GEOGRAPHICAL SEGMENTS, 2007

EUR millions	Finland 1)	Sweden and Norway 3)	Baltic Rim Czech 1)	Russia 2)	Continuing operations	Group
Sales	1 171.5	59.5	194.1	243.2	1 668.3	1 668.3
Revenue	977.6	47.5	165.0	208.0	1 398.2	1 398.2
Operating profit	96.3	14.4	21.1	-6.6	125.2	125.2
Capital expenditures	80.2	847.0	5.1	45.0	977.4	977.4
Assets	585.2	975.7	75.8	187.0	1 823.7	1 823.7
Number of employees, average	6 861	330	1 420	2 550	11 161	11 161

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

GEOGRAPHICAL SEGMENTS, 2006

EUR millions	Finland 1)	Baltic Rim 1)	Russia 2)	Continuing operations	Finland	Russia	Dis-continued operations	Group
Sales	1 123.7	165.3	188.8	1 477.8	74.8		74.8	1 552.6
Revenue	937.5	140.6	161.6	1 239.6	61.1		61.1	1 300.7
Operating profit	75.2	21.0	3.8	99.9	7.7	21.9	29.6	129.5
Capital expenditures	64.0	1.8	59.7	125.5				125.5
Assets	594.8	69.7	103.1	767.6				767.6
Number of employees, average	6 732	1 277	1 944	9 953	116		116	10 069

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

3. ACQUIRED OPERATIONS

Business combinations

Acquired in 2007

Stockmann's subsidiary Stockmann Sverige AB acquired a 97.8 per cent holding of the shares in AB Lindex through a public tender offer on December 5, 2007, and Stockmann has initiated compulsory redemption proceedings in accordance with the Swedish Companies Act in order to obtain all the remaining shares in Lindex. The consolidated financial statements include a 100 per cent holding in the AB Lindex Group in accordance with IFRS 3. The acquisition cost was EUR 850.9 million, incl EUR 4.3 million of fees paid to experts. The cash consideration was EUR 832.5 million and the portion of unredeemed shares, EUR 18.4 million, has been stated as a non-current liability. Lindex is one of Northern Europe's largest fashion department store chains, and the EUR 721.7 million of goodwill arising on the transaction is based on Lindex's good cash flow and profitability as well as on its strong market position in its chosen core market areas, especially in Sweden, Norway and Finland. Stockmann intends to promote the expansion of Lindex in Russia and in other selected markets in Eastern Europe, and in the estimation of Stockmann's management, synergies can be obtained when expanding to new market areas in connection with administrative functions and scale benefits in purchasing and logistics operations. AB Lindex's profit for the period December 6 – 31, 2007, EUR 10.6 million, was included in the Stockmann Group's profit. According to the pro forma calculation that has been made for purposes of illustration, Stockmann's revenue in 2007 would have been EUR 1 909.7 million and its net profit EUR 93.7 million if AB Lindex had been consolidated from the beginning of the 2007 financial period. Lindex's net profit for 2007 does not include non-recurring expenses of EUR 4.5 million. The above revenue and net profit do not include Lindex's German subsidiary, which in 2006 was classified as a discontinued operation in Lindex's financial statements. The acquisition cost is preliminary because the acquisition was made in December, close to the end of the financial period.

The following assets and liabilities were recognized on the acquisition:

EUR mill.	Ref.	2007 Carrying amounts before business combination	Fair values recognized in business combination	Carrying amounts after business combination
Intangible assets				
Trademarks	13	18.4	78.2	96.6
Rights over leased premises		0.0		0.0
Customer relationships	13		2.4	2.4
Supplier relationships	13		4.3	4.3
EDP software		10.3		10.3
Goodwill	13	7.6	-7.6	0.0
Property, plant and equipment		41.1		41.1
Other financial assets		2.6		2.6
Deferred tax assets		3.0		3.0
Inventories	17	72.6	4.2	76.8
Trade and other receivables		14.6		14.6
Cash and cash equivalents		9.0		9.0
Assets, total		179.2	81.5	260.8
Deferred taxes liabilities	23	1.7	25.0	26.7
Pension liabilities (defined benefit)		3.4		3.4
Other provisions		2.5		2.5
Current account with overdraft facility		29.0		29.0
Other liabilities		69.9		69.9
Liabilities, total		106.5	25.0	131.5
Net assets		72.7	56.6	129.3
Acquisition cost				850.9
Goodwill	13		721.7	721.7
Purchase price paid in cash				832.5
Unpaid portion of the purchase price				18.4
Cash and cash equivalents of subsidiary acquired +Current account with overdraft facility				20.0
Cash flow effect				852.5

The above-described intangible assets obtained in the business combination have been allocated separately from goodwill to fair value if it has been possible to determine the fair value reliably. In the business combination carried out, the Group has acquired the Lindex trademark as well as customer and supplier relationships. The fair value of the acquired trademark is based on the discounted royalty fee which is avoided through ownership of said trademark. The fair value has been determined by estimating on market terms the royalty percentage which an external party would have been willing to pay for a licence agreement on the trademark. Customer relationships are the Lindex Club Loyal Customer agreements under the Lindex Loyal Customer system. The fair value of customer relationships has been determined on the basis of the discounted net cash flow arising from the duration of active customer relationships and existing customer relationships. The fair value of supplier relationships is based on the duration of the supplier agreements and the share of major suppliers in the discounted net cash flows. The fair value of inventories has been determined by estimating the recoverable amount of the selling price of the inventories less selling costs and the estimated costs of the sales effort for generating a profit on the sale of similar goods. A deferred tax liability has been recognized on the fair value allocations arising on the business combination.

Acquired in 2006

In 2006, Stockmann purchased the OOO Stockmann Stp Centre property company in St Petersburg. The company owns the property along Nevsky Prospect where the Nevsky Centre department store and shopping centre which are to be opened by the end of 2009 will be built.

EUR mill.	Ref.	2006 Carrying amounts before business combination	Fair values recognized in business combination	Carrying amounts after business combination
Property, plant and equipment	14	15.2	13.1	28.3
Trade receivables		1.4		1.4
Cash and cash equivalents		0.4		0.4
Assets, total		17.0	13.1	30.1
Interest-bearing liabilities		1.6		1.6
Other liabilities		15.4		15.4
Liabilities, total		17.0		17.0
Net assets		0.0	13.1	13.1
Acquisition cost				13.1
Purchase price paid in cash				13.1
Cash and cash equivalents of subsidiary acquired				-0.4
Cash flow effect				12.7

4. DISCONTINUED OPERATIONS IN 2006

Stockmann sold the shares in its subsidiary Stockmann Auto Oy Ab to Veho Group Oy Ab, the Ford businesses in Turku and Espoo to SOK and Stockmann Auto's VW-Audi business to Helsingin VV-Auto Oy, a Kesko Group company. The vehicle business was transferred to new owners as from March 1, 2006. In addition, in April 2006, Stockmann sold the shares in the real estate company Kiinteistö Oy Luistelijanvuori to Veho Group Oy Ab.

Under an agreement signed on January 30, 2006, Stockmann sold its subsidiary which carried on the Zara business in Russia to the owner of the Zara trademark, the Inditex Group of Spain, and as a consequence of the agreement made, the business was disposed of as from January 1, 2006.

Discontinued operations

EUR mill.	2006
Intangible assets	0.9
Property, plant and equipment	31.6
Trade receivables	65.2
Change in inventories	29.3
Deferred tax liabilities	-1.3
Interest-bearing liabilities	-0.3
Other liabilities	-48.4
Total	77.0
Gain on disposal	29.3
Consideration, total	106.3

Received in cash	106.3
Cash and cash equivalents of divested subsidiary	-1.3
Cash flow from divestments	105.0

Cash flow statement

EUR mill.	2006
Cash flows from operating activities	1.9
Cash flows from financing activities	-1.7
Cash flow, total	0.2

5. OTHER OPERATING INCOME

EUR mill.	2007	2006
Transfer Agreement for the Loyal Customer programme	**9.7**	
Gain on sale of property, plant and equipment		4.8
Gain on the sale of shares, tax-exempt		29.3
Gain on the sale of shares, taxable		0.4
Total	**9.7**	34.4

6. GROSS MARGIN

EUR mill.	2007	2006
Revenue	**1 398.2**	1 300.7
Raw material and consumables used	**798.8**	716.5
Change in inventories	**-7.6**	57.1
Gross margin	**607.0**	527.1
Gross margin, % of revenue	**43.4**	40.5

7.WAGES, SALARIES AND OTHER EMPLOYEE BENEFITS EXPENSES

EUR mill.	2007	2006
Wages and salaries	**182.0**	167.9
Pension expenses		
Defined contribution plans	**26.2**	24.4
Defined benefit plans	**0.1**	
Other employee benefits expenses	**14.8**	11.8
Expenses for share option benefits	**1.1**	0.6
Total	**224.1**	204.7

At most of the subsidiaries abroad, the pension expenses of defined contribution pension plans are included in other employee benefits expenses

Information on management's employee benefits is given in note 29. Related party transactions.

8. DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

EUR mill.	2007	2006
Intangible assets	**3.5**	2.6
Buildings and constructions	**6.0**	5.5
Machinery and equipment	**17.1**	15.9
Modification and renovation costs for leased premises	**10.3**	8.1
Depreciation and amortization total	**36.9**	32.1
Impairment losses, total	**0.0**	
Depreciation, amortization and impairment losses, total	**36.9**	32.1

9. OTHER OPERATING EXPENSES

EUR mill.	2007	2006
Site expenses	**113.9**	98.4
Marketing expenses	**44.5**	40.4
Goods handling expenses	**15.4**	13.8
Credit losses	**1.9**	0.5
Voluntary social security	**5.2**	4.4
Interest income from trade receivables	**-6.3**	-8.6
Other costs	**56.0**	46.1
Total	**230.6**	195.1

10. FINANCE INCOME AND EXPENSES

EUR mill.	2007	2006
Finance income		
Dividend income on available-for-sale investments	**0.1**	0.1
Interest income on bank deposits and other investments	**1.2**	0.9
Gain on sale of available-for-sale investments		0.8
Change in fair value of financial assets at fair value through profit or loss		0.0
Total	**1.3**	1.8
Finance expenses		
Interest expenses on financial liabilities measured at amortized cost	**-6.2**	-1.9
Change in fair value of financial assets at fair value through profit or loss	**0.0**	
Foreign exchange differences	**-0.8**	-0.4
Total	**-7.0**	-2.3
Finance income and expenses, total	**-5.7**	-0.6

11. INCOME TAXES

EUR mill.	2007	2006
Income taxes for the financial period, continuing operations	**26.6**	24.0
Income taxes for the financial period, discontinued operations		0.1
Income taxes from previous financial periods	**0.1**	0.0
Change in deferred tax liability/assets	**4.3**	0.2
Total	**31.1**	24.3

Reconciliation between the income tax expense in the income statement and the Group's tax expense at the Finnish tax rate of 26% (26% in 2006).

Profit before taxes	**119.4**	128.9
Income taxes at current tax rate	**31.1**	33.5
Income taxes from previous financial periods	**0.1**	0.0
Tax-exempt income		-7.6
Differing tax rates of foreign subsidiaries	**-3.2**	-2.7
Non-deductible expenses	**3.1**	1.1
Income tax expense in the income statement	**31.1**	24.3

12. EARNINGS PER SHARE

Earnings per share are calculated by dividing the profit for the period attributable to the parent company's shareholders by the weighted average number of shares outstanding during the financial period. The outstanding shares do not include treasury shares held by the Group. 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. Options have a dilutive effect when the subscription price of the options is lower than the share’s fair value. The fair value of the share is based on the average price of the shares during the period.

Continuing operations	Jan. 1 - Dec. 31, 2007	Jan. 1 - Dec. 31, 2006
Profit for the period, EUR millions	**88.4**	75.2
Share issue-adjusted number of outstanding shares, weighted average, thousands	**55 606**	54 310
Earnings per share, EUR	**1.59**	1.39
Profit for the period, EUR millions	**88.4**	75.2
Share issue-adjusted number of outstanding shares, weighted average, thousands	**55 606**	54 310
Effect of share options	**209**	868
Share issue-adjusted number of shares, diluted weighted average, thousands	**55 815**	55 178
Earnings per share adjusted for effect of dilution	**1.58**	1.37

Discontinued operations	Jan. 1 - Dec. 31, 2007	Jan. 1 - Dec. 31, 2006
Profit for the period, EUR millions		29.5
Share issue-adjusted number of outstanding shares, weighted average, thousands		54 310
Earnings per share, EUR		0.54
Profit for the period, EUR millions		29.5
Share issue-adjusted number of outstanding shares, weighted average, thousands		54 310
Effect of share options		868
Share issue-adjusted number of shares, diluted weighted average, thousands		55 178
Earnings per share adjusted for effect of dilution		0.53

13. INTANGIBLE ASSETS

Goodwill

EUR mill.	2007	2006
Acquisition cost Jan. 1		0.5
Acquisitions through business combinations (investment) (+)	**721.7**	
Translation difference +/-	**-1.7**	
Decreases Jan. 1-Dec. 31		-0.5
Acquisition cost Dec. 31	**720.0**	
Carrying amount Jan. 1		0.5
Carrying amount Dec. 31	**720.0**	

Trademark

EUR mill.	2007	2006
Acquisition cost Jan. 1		
Acquisitions through business combinations (investment) (+)	**96.6**	
Translation difference +/-	**-0.2**	
Acquisition cost Dec. 31	**96.4**	
Carrying amount Jan. 1		
Carrying amount Dec. 31	**96.4**	

Impairment testing

For the purposes of impairment testing, the goodwill and trademark have been allocated in their entirety to the Lindex segment, which forms a separate cash-generating unit. The Lindex trademark is considered to have an indefinite useful life due to the fact that it is well known. The Lindex trademark has been in existence for over 50 years, and the Group will continue to use it both in its present markets and in bringing the Lindex product assortment and business model to new markets. In the impairment testing, Lindex's cash flow forecasts are based on management-approved forecasts covering a five-year period. Cash flows after the projection period approved by management have been extrapolated by using a steady 2 per cent growth rate for future years.

Main variables used in the value-in-use calculation:
1. The forecast gross margin, which is based on the actual average gross margin in previous years and its development.
2. The forecast growth in volume, which is based on an estimate of the number of Lindex stores to be opened in new market areas.
3. The discount rate, which is determined by means of the average weighted cost of capital reflecting the total cost of equity and debt, taking into account the special risks related to the asset items.
Used discount rate is 8.1 per cent.

The carrying amount of non-current assets and net working capital of the unit at 31 December 2007 totals EUR 895 million according to preliminary calculation the recoverable amount is EUR 73 million higher than the carrying amount. If the discount rate would rise by 0.5 percentage points or the sales would grow by 0.4 percentage points less than forecast the recoverable amount would equal the total carrying amount of non-currrent assets and net working capital.

Intangible rights

EUR mill.	2007	2006
Acquisition cost Jan. 1	**20.2**	22.0
Translation difference +/-	**0.0**	0.0
Acquisitions through business combinations (investment) (+)	**10.3**	
Translation difference +/-	**0.0**	
Increases Jan. 1-Dec. 31	**2.9**	2.4
Decreases Jan. 1-Dec. 31	**-2.4**	-4.2
Transfers between items	**5.4**	
Acquisition cost Dec. 31	**36.4**	20.2
Accumulated amortization Jan. 1	**13.9**	14.9
Translation difference +/-	**0.0**	0.0
Amortization on disposals	**-2.5**	-3.6
Amortization for the financial period	**3.3**	2.6
Accumulated amortization Dec. 31	**14.8**	13.9
Carrying amount Jan. 1	**6.3**	7.1
Carrying amount Dec. 31	**21.6**	6.3

Other intangible assets

EUR mill.	2007	2006
Acquisition cost Jan. 1		
Acquisitions through business combinations (investment) (+)	**6.7**	
Translation difference +/-	**0.0**	
Acquisition cost Dec. 31	**6.7**	
Accumulated amortization Jan. 1		
Amortization for the financial period	**0.2**	
Accumulated amortization Dec. 31	**0.2**	
Carrying amount Jan. 1		
Carrying amount Dec. 31	**6.5**	
Intangible assets, total	**844.5**	6.3

14. PROPERTY, PLANT AND EQUIPMENT

Land and water

EUR mill.	2007	2006
Acquisition cost Jan. 1	**39.9**	21.8
Increases Jan. 1-Dec. 31		24.6
Decreases Jan. 1-Dec. 31	**-0.1**	-6.5
Transfers between items	**-1.0**	
Acquisition cost Dec. 31	**38.8**	39.9
Carrying amount Jan. 1	**39.9**	21.8
Carrying amount Dec. 31	**38.8**	39.9

Buildings and constructions

EUR mill.	2007	2006
Acquisition cost Jan. 1	**191.1**	205.9
Increases Jan. 1-Dec. 31	**10.0**	8.4
Decreases Jan. 1-Dec. 31	**-1.2**	-23.2
Acquisition cost Dec. 31	**199.9**	191.1
Accumulated depreciation Jan. 1	**59.0**	60.3
Depreciation on disposals	**-1.2**	-6.9
Depreciation for the financial period	**6.0**	5.5
Accumulated depreciation Dec. 31	**63.8**	59.0
Carrying amount Jan. 1	**132.1**	145.6
Carrying amount Dec. 31	**136.1**	132.1

Machinery and equipment

EUR mill.	2007	2006
Acquisition cost Jan. 1	**139.1**	143.9
Acquisitions through business combinations (investment) (+)	**41.1**	
Translation difference +/-	**0.1**	
Increases Jan. 1-Dec. 31	**21.6**	14.9
Decreases Jan. 1-Dec. 31	**-12.4**	-19.6
Acquisition cost Dec. 31	**189.5**	139.1
Accumulated depreciation Jan. 1	**87.3**	81.1
Depreciation on disposals	**-12.4**	-9.7
Depreciation for the financial period	**17.1**	15.9
Accumulated depreciation Dec. 31	**92.1**	87.3
Carrying amount Jan. 1	**51.8**	63.0
Carrying amount Dec. 31	**97.5**	51.8

Machinery and equipment, finance lease

EUR mill.	2007	2006
Acquisition cost Jan. 1		2.7
Decreases Jan. 1-Dec. 31		-2.7
Acquisition cost Dec. 31		
Accumulated depreciation Jan. 1		2.4
Depreciation on disposals		-2.4
Accumulated depreciation Dec. 31		
Carrying amount Jan. 1		0.3
Carrying amount Dec. 31		

Machinery and equipment, total	**97.5**	51.8

Modification and renovation costs of leased premises

EUR mill.	2007	2006
Acquisition cost Jan. 1	**82.3**	89.0
Increases Jan. 1-Dec. 31	**21.6**	9.8
Decreases Jan. 1-Dec. 31	**-2.4**	-16.6
Acquisition cost Dec. 31	**101.4**	82.3
Accumulated depreciation Jan. 1	**33.0**	31.4
Depreciation on disposals	**-1.6**	-6.5
Depreciation for the financial period	**10.3**	8.1
Accumulated depreciation Dec. 31	**41.6**	33.0
Carrying amount Jan. 1	**49.3**	57.6
Carrying amount Dec. 31	**59.8**	49.3

Advance payments and construction in progress

EUR mill.	2007	2006
Acquisition cost Jan. 1	**79.1**	15.0
Increases Jan. 1-Dec. 31	**69.8**	80.5
Transfers between items	**-4.4**	-16.4
Acquisition cost Dec. 31	**144.5**	79.1
Carrying amount Jan. 1	**79.1**	15.0
Carrying amount Dec. 31	**144.5**	79.1

Property, plant and equipment, total	**476.8**	352.2

EUR 1.8 million of interest expenses for the Helsinki department store's Kasvu (Growth) project and the Nevsky Centre project in St Petersburg have been capitalized during the financial period. Capitalized interest expenses are included in the line "Increases Jan 1 – Dec 31" under the heading "Advance payments and construction in progress."

15. JOINT VENTURES

15. JOINT VENTURES	2007 Shareholding %	2006 Shareholding %
SIA Stockmann Centrs, Riga (real-estate company)	**63.0**	63.0
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.	2007	2006
Non-current assets	**25.8**	24.3
Current assets	**2.4**	0.9
Non-current liabilities	**2.0**	13.8
Current liabilities	**15.5**	2.1

Income and expenses of joint ventures

EUR mill.	2007	2006
Income	**3.7**	2.6
Expenses	**3.2**	2.4

16. AVAILABLE-FOR-SALE INVESTMENTS

EUR mill.	2007	2006
Carrying amount Jan. 1	**6.5**	6.0
Increases Jan. 1-Dec. 31	**0.0**	0.5
Decreases Jan. 1-Dec. 31	**0.0**	0.0
Carrying amount Dec. 31	**6.5**	6.5

Available-for-sale investments consist of unlisted shares. Unlisted shares are stated at cost because their fair values cannot be determined reliably. At the balance sheet date, the Group was not planning to dispose of available-for-sale investments.

17. INVENTORIES

EUR mill.	2007	2006
Raw material and consumables	**244.3**	154.9
Advance payments for inventories	**0.1**	0.2
Total	**244.4**	155.0

The value of inventories has been lowered by EUR 1.3 million for unsaleable assets (2006: EUR 0.8 million).

18. CURRENT RECEIVABLES

EUR mill.	Carrying amount 2007	Fair value 2007	Carrying amount 2006	Fair value 2006
Interest-bearing trade receivables	**98.8**	**98.8**	98.9	98.9
Non-interest-bearing trade receivables	**66.2**	**66.2**	61.1	61.1
Other receivables	**22.7**	**22.7**	19.4	19.4
Prepayments and accrued income	**21.6**	**21.6**	5.9	5.9
Income tax receivables	**2.1**	**2.1**	0.5	0.5
Current receivables, total	**211.3**	**211.3**	185.9	185.9

The carrying amount of trade receivables corresponds to their fair value. The maximum amount of the credit risk for trade receivables and other current receivables is their carrying amount.

Interest-bearing trade receivables include EUR 58.6 million of one-time credits on mail-order sales in 2007 and EUR 57.5 million in 2006. Hire purchase surcharges on these receivables are included in the selling price, and recognized in revenue instead of interest income. Other interest-bearing trade receivables are the Stockmann loyal customer account, for which interest income is recognized as a reduction in other expenses.

Material items included in Prepayments and accrued income relate to deferred annual discounts, deferred indirect employee costs and accued financial income and expenses.

19. CASH AND CASH EQUIVALENTS

EUR mill.	2007	2006
Cash on hand and at banks	**31.0**	19.3
Marketable securities	**2.2**	39.9
Total	**33.2**	59.2

Cash and cash equivalents in the Cash Flow Statement

EUR mill.	2007	2006
Cash and cash equivalents	**33.2**	59.2
Current cheque account credit lines	**-14.6**	
Total	**18.6**	59.2

20. EQUITY

Share capital and share premium fund

EUR mill.	Entered in trade register	Number of shares	Share capital	Share issue	Share premium fund	Total
Jan. 1, 2006		54 483 042	108.9	0.0	166.5	275.5
Subscriptions with key employee share options 2000	28.2.		0.0	0.0		
Subscriptions with key employee share options 2000	17.5.	84 050	0.2		1.0	1.2
Subscriptions with key employee share options 2000	29.6.	201 100	0.4		2.5	2.9
Subscriptions with key employee share options 2000	25.8.	36 150	0.1		0.4	0.5
Subscriptions with key employee share options 2000	10.10.	83 200	0.2		1.0	1.2
Subscriptions with key employee share options 2000	10.11.	156 242	0.3		1.9	2.2
Subscriptions with key employee share options 2000	28.12.	618 254	1.2		7.6	8.8
Subscriptions with key employee share options 2000*		192 865		0.4	2.3	2.7
Gain on sale of conveyed treasury shares deducted by tax liability					0.2	0.2
Dec. 31, 2006		55 854 903	111.3	0.4	183.4	295.1
Subscriptions with key employee share options 2000	28.2.		0.4	-0.4		
Subscriptions with key employee share options 2000	10.4.	18 000	0.0		0.2	0.3
Subscriptions with key employee share options 2000	14.5.	220 709	0.4		2.4	2.8
Dec. 31, 2007		56 093 612	112.2		186.0	298.2

*According to the terms of subscription entitled to dividend for the year 2006

	2007	2006
Treasury shares, Series B, in the company's possession	369 560	382 903
Acquisition cost, EUR million, at Dec. 31.	5.6	5.8

In 2000, the company bought back 413 000 of its own shares (treasury shares) on the basis of an authorization granted by the Annual General Meeting on April 11, 2000. By December 31, 2007, a total of 43 440 shares had been used for remuneration paid to the Board of Directors and management. At December 31, 2007, the Board of Directors did not have a valid authorization to buy back treasury shares. The Annual General Meeting authorized the Board of Directors on March 20, 2007, to decide on cpnveying a maximum of 373 134 of the company's own Series B shares (treasury shares) in one or more instalments. The authorization will be in force for five years.

Total number of shares at Dec. 31, 2007, registered	56 093 612
The shares are divided into:	
Series A shares	24 564 243
Series B shares	31 529 369

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 right 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 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 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.

Redemption obligation

A shareholder whose proportion of all the company's shares or the number of votes conferred by the shares either alone or together with other shareholders reaches or exceeds 33 1/3 per cent of 50 per cent is liable, at the demand of the other shareholders, to redeen their shares in the manner specified in the Articles of Association.

Other funds

EUR mill.	2007	2006
Reserve fund	**0.2**	0.2
Fair value reserve	**0.5**	
Other funds	**43.9**	43.9
Total	**44.6**	44.1

The reserve fund contains a transferred proportion of non-restricted shareholders' equity in compliance with local regulations. Other funds comprise non-restricted shareholders' equity, which is distributable equity, in accordance with a resolution of the Annual General Meeting.The fair value reserve includes the changes in fair value of derivatives used to hedge cash flows, deducted by the deferred tax.

Translation differences

The translation differences reserve 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 7, 2008 to pay out a dividend of EUR 1.35 per share.

Share-based payment

IFRS 2 Share-based payment has been applied to the key employee share option scheme for 2006 and to the Loyal Customer share option scheme for 2006.

In accordance with the transitional provisions of IFRS 2, options granted prior to November 7, 2002, and handed over to the option holders prior to January 1, 2005, have not been treated by recognizing them through profit or loss. No share option scheme of the type described above has been open after April 2007.

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. The share options were issued within the book-entry system and they were accepted for public trading on the OMX Nordic Exchange Helsinki. The subscription period for the options ended on April 1, 2007, and a total of 2 499 800 Series B shares were subscribed for with the share options.

Loyal Customer share options 2006

The 2006 Annual General Meeting approved the Board of Directors' proposal on the granting of share options to Stockmann's Loyal Customers. In accordance with the resolution passed by the Annual General Meeting, Loyal Customers whose purchases during January 1, 2006 – December 31, 2007, together with purchases made on parallel cards for the same account came to at least EUR 6000 in total amount will be granted a total maximum of 2 500 000 share options without consideration. For purchases of at least EUR 6000, Loyal Customers will be given 20 share options without consideration. In addition, for each full 500 euros by which the purchases exceed EUR 6000, the Loyal Customer will receive an additional two share options. Loyal Customer purchases made by December 31, 2007, entitle the Loyal Customer to subscribe for a total of 1 998 840 options. Each share option entitles its holder to subscribe for one of Stockmann plc's Series B shares. The subscription price is the volume-weighted average price of the company's Series B share on the OMX Nordic Exchange Helsinki during the period February 1 – February 28, 2006, which is EUR 33.35. The subscription price of a share to be subscribed for with the share option will be lowered by the amount of Stockmann plc dividends paid after the end of the determination period for the share price, counting from the record date up to the date of the share subscription. The subscription periods for the shares are May 2, 2008–May 31, 2008, May 4, 2009–May 31, 2009 and May 2, 2010–May 31, 2010. The subscription price after the dividend payout for 2007 proposed by the Board of Directors is EUR 29.60.

Key employee share options 2006

The 2006 Annual General Meeting approved the Board of Directors' proposal on the granting of share options to key employees of the Stockmann Group. A total of 1 500 000 share options will be granted to key employees belonging to the senior and middle management of the Stockmann Group as well as to a wholly-owned subsidiary of Stockmann. 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 Group's financial targets criteria 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 for each share through the exercise of the 2006A and 2006B share options is the volume-weighted average price of the company's Series B share on the OMX Nordic Exchange Helsinki during the period February 1 – February 8, 2006, plus 10 per cent, EUR 36.69. The subscription price with the 2006C and 2006D share options is the volume-weighted average price of the company's Series B share on the OMX Nordic Exchange Helsinki during the period February 1 – February 29, 2008, plus 10 per cent. On the record date for each dividend payout, 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. The subscription prices, after the dividend payout proposed by the Board of Directors for the 2007 financial period, will be EUR 32.94 with share option A and with share option B. The determination period for the subscription price of option warrants C and D has not yet ended.

The management's share-based bonus scheme is presented in note 29.

Changes in share options during the financial period	2007 Number of Options	Subscription price as weighted average EUR/share	Turnover-weighted share price during subscription period EUR/share	2006 Number of Options	Subscription price as weighted average EUR/share	Turnover-weighted share price during subscription period EUR/share
Key employee share options 2000						
Options unexercised at beginning of financial period	**238 909**			1 610 770		
Shares subscribed for with options during financial period	**238 709**	**13.02**	**33.18**	1 371 861	14.2	33.95
Options lapsed during the period	**200**					
Options unexercised at end of financial period	**0**			238 909		
Key employee share options 2006 Series A						
Options unexercised at beginning of financial period	**347 000**					
Options granted during financial period	**28 000**			347 000		
Options unexercised at end of financial period	**375 000**			347 000		
Key employee share options 2006 Series B						
Options unexercised at beginning of financial period	**347 000**					
Options granted during financial period	**28 000**			347 000		
Options unexercised at end of financial period	**375 000**			347 000		
Options, total						
Options unexercised at beginning of financial period	**932 909**			1 610 770.00		
Shares subscribed for with options during financial period	**238 709**			1 371 861.00		
Options granted during financial period	**56 000**			694 000		
Options lapsed during the period	**200**					
Options unexercised at end of financial period	**750 000**			932 909		

The main terms and conditions of the 2006 share option scheme for key employees and the 2006 Loyal Customers option scheme are presented in the table below.

	2006A	**2006B**	**2006C**	**2006D**	**Loyal Customer share options**
Period for subscription	1.3.08-31.3.10	1.3.09-31.3.11	1.3.10-31.3.12	1.3.11-31.3.13	2.5.08-31.5.08 4.5.09-31.5.09 2.5.10-31.5.10
Maximum number of share options	375 000	375 000	375 000	375 000	2 500 000
Number of options granted at December 31, 2007	375 000	375 000	2)	2)	3)
Subscription price, EUR 1)	34.29	34.29	2)	2)	30.95
Vesting period	13.6.06-28.2.08	13.6.06-28.2.09	2)	2)	1.1.06-31.12.07
Contract vesting conditions		ROCE- and EBIT-targets for the years 2006-2008	-	2)	-

1) Reduced by dividends paid
2) The subscription price of options 2006C and 2006D will be determined later on, and they have not yet been granted; the target criteria for the share options for 2006D have not yet been defined.
3) Loyal Customer share options 2006 have not been granted yet

The subscription price through the exercise of the 2006A and 2006B share options is the volume-weighted average price of Stockmann plc's Series B share on the OMX Nordic Exchange Helsinki during the period February 1 – February 28, 2006, plus 10 per cent. The subscription price through the exercise of the 2006C and 2006D share options is the volume-weighted average price of Stockmann plc's Series B share on the OMX Nordic Exchange Helsinki during the period February 1 – February 29, 2008, plus 10 per cent. The subscription price will be decreased by any dividends declared after the commencement of the determination period for the subscription price and before the share subscription at each record date for the dividend payout.

The subscription price with the 2006 Loyal Customer share options is the volume-weighted average price of Stockmann plc's Series B share on the OMX Nordic Exchange Helsinki during the period February 1 – February 28, 2006. The subscription price for the shares shall from the record date of dividend payment until the subscription of shares be decreased with the amount of dividends in Stockmann plc determined after the determination period for the subscription price.

The fair value at the grant date of share options granted has been defined using the Black Scholes option pricing model. The main conditions of the share option programme have been taken into account in the valuation. The fair value is recognized as expense over the vesting period of the option. During the financial period January 1 - December 31, 2007, share options had an impact on the Group's profit of EUR 1.9 million.

The central assumptions used in the Black Scholes valuation model are presented in the table below:

	2006A I	**2006B I**	**2006A II**	**2006B II**	**Loyal Customer share options 2006**
Options granted	13.6.2006	13.6.2006	During financial period 2007	During financial period 2007	1)
Risk-free interest rate, %	3.3 %	3.4 %	4.1 %	4.1 %	3.1 %
Volatility, %	23.4 %	22.7 %	24.0 %	23.7 %	23.0 %
Expected average probable life of the share options (in years)	2.2	3.2	1.1	2.1	1.8
Share price at grant date, EUR	29.39	29.39	31.61	31.61	32.75
Fair value of the option determined at the grant date, EUR	2.74	3.79	2.70	4.40	4.54

Volatility has been estimated from the historical volatility of the share for a period corresponding to the probable life of the share option.
1) Loyal Customer share options 2006 have not yet been granted

21. NON-CURRENT LIABILITIES, INTEREST-BEARING

Non-current liabilities **EUR mill.**	**Carrying amount 2007**	**Fair value 2007**	Carrying amount 2006	Fair value 2006
Loans from financial institutions	**855.4**	**855.8**	23.4	23.4
Total	**855.4**	**855.8**	23.4	23.4

The carrying amount of non-current liabilities has been calculated using the effective interest method, and fair value has been defined using the discounted cash flow method by discounting at the market interest rate at the balance sheet date.

22.CURRENT LIABILITIES

EUR mill.	**Carrying amount 2007**	**Fair value 2007**	Carrying amount 2006	Fair value 2006
Loans from financial institutions	**13.1**	**13.1**		
Current account with overdraft facility	**14.6**	**14.6**		
Other interest-bearing liabilities	**22.4**	**22.4**		
Trade payables	**96.1**	**96.1**	76.0	76.0
Other current liabilities	**66.3**	**66.3**	31.6	31.6
Accruals and prepaid income	**91.0**	**91.0**	38.3	38.3
Income tax liability	**8.3**	**8.3**	0.5	0.5
Total	**311.8**	**311.8**	146.4	146.4
of which interest-bearing	**50.1**			

The fair value of current liabilities corresponds to their carrying amount.
Material items in accruals and prepaid income are accrued employee benefits expenses and mail-order return accruals.

23. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Changes in deferred taxes during 2007:

EUR mill.	Jan. 1, 2007	Recognized in income-statement	Recognized in equity	Translation difference	Business combinations	Dec. 31, 2007
Deferred tax asset						
Confirmed losses	2.4	-0.3				2.2
Measurement of derivatives and other financial instruments at fair value		0.0				0.0
Difference between carrying amounts and tax bases of property, plant and equipment		0.0		0.0	1.5	1.5
Other temporary differences	0.0	0.0		0.0	1.5	1.6
Total	2.5	-0.2		0.0	3.0	5.3
Deferred tax liabilities						
Cumulative depreciation differences	15.5	4.4		0.0	1.7	21.7
Replacement provision	5.2					5.2
Difference between carrying amount and tax bases of prop., plant and equip.	5.5	-0.1				5.3
Measurement at fair value of intangible and tangible assets in a business combination.		0.0		-0.1	23.8	23.7
Measurement at fair value of inventories in a business combination		-0.1		0.0	1.2	1.1
Other temporary differences		0.0	0.3	0.0	0.0	0.3
Total	26.2	4.1	0.3	-0.1	26.7	57.3

Changes in deferred taxes during 2006:

EUR mill.	Jan. 1, 2006	Recognized in income-statement	Recognized in equity	Translation difference	Discontinued operations	Dec. 31, 2006
Deferred tax asset						
Confirmed losses	3.2	-0.8				2.4
Other temporary differences	0.3	-0.2				0.0
Total	3.5	-1.0				2.5
Deferred tax liabilities						
Cumulative depreciation differences	17.4	-0.7			-1.2	15.5
Replacement provision	5.2					5.2
Difference between carrying amount and tax bases of prop., plant and equip.	5.6	-0.1				5.5
Measurement of derivatives at fair value	0.0	0.0				
Total	28.2	-0.8			-1.2	26.2

Deferred tax assets have not been recognized on losses amounting to EUR 4.4 million (2006 EUR 1.5 million). In accordance with IAS 12 paragraph 52 A deferred tax liabilities have not been recorded on the profits, EUR 33.0 million (2006 EUR19.8 million), of the Estonian subsidiary.

24. CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES CLASSIFIED ACCORDING TO IAS 39

EUR mill.	Carrying amount 2007	Fair value 2007	Carrying amount 2006	Fair value 2006
Financial assets at fair value through profit or loss				
Cash and cash equivalents	**33.2**	**33.2**	59.2	59.2
Derivative contracts	**1.0**	**1.0**		
Loans and other receivables				
Non-current receivables	**1.7**	**1.7**		
Receivables, interest-bearing	**98.8**	**98.8**	98.9	98.9
Receivables, non-interest-bearing	**109.4**	**109.4**	86.5	86.5
Available-for-sale financial assets	**6.5**	**6.5**	6.5	6.5
Financial assets, total	**250.6**	**250.6**	251.1	251.1
Financial assets at fair value through profit or loss				
Derivative contracts	**0.5**	**0.5**		
Financial liabilities at amortized cost				
Non-current interest-bearing liabilities	**855.4**	**855.8**	23.4	23.4
Current liabilities, interest-bearing	**50.1**	**50.1**		
Current liabilities, non-interest-bearing	**252.9**	**252.9**	145.9	145.9
Financial assets, total	**1 159.0**	**1 159.3**	169.2	169.2

In the balance sheet, derivative contracts are included in the following categories: Current receivables, Non-interest-bearing and current liabilities, non-interest-bearing.

25. PENSION OBLIGATIONS

Defined benefit pension plans

AB Lindex's Norwegian subsidiary Lindex AS has defined benefit pension plans. For the most part, the defined benefit pension plans cover old-age pensions and widows'/widowers' pensions in which the employer bears an obligation to pay a life-long pension which is either a percentage portion of salary or a specified amount. The right to an old-age pension is based on the time in service. The employee must be included in the plan for a specified time in order to earn the right to a full old-age pension. Each year the employee earns an additional pension entitlement, which is reported as the pension earned during the period and as an increase in the pension liability. The pension plan is funded through employer-made payments. The Group forecasts it will not pay for defined-benefit pension plans in 2008.

EUR mill.	2007
The defined benefit pension liability recognized in the balance:	
Present value of unfunded obligations	1.5
Present value of funded obligations	2.4
Fair value of plan assets	-1.4
Deficit/surplus	2.5
Unrecognized actuarial gains (+) and losses (–)	0.3
Social security contribution	0.4
Recognized net amount of liability	3.2

The defined benefit pension expense recognized in the income statement:

Current service cost	0.2
Interest costs	0.1
Expected return on plan assets	-0.1
Actuarial gains (-) and losses (+)	0.0
Past service cost	0.0
Social security contribution	0.0
Total	0.1

EUR mill.	2007
Actual return on plan assets	-0.1
Changes in the present value of the defined benefit obligation	
Business combinations	3.8
Current service cost	0.2
Interest costs	0.1
Actuarial gains (-) and losses (+)	-0.1
Benefits paid	0.0
Closing defined benefit obligation	3.9
The changes in the fair values of plan assets are the following:	
Business combinations	1.4
Expected return on plan assets	0.1
Actuarial gains (-) and losses (+)	-0.2
Contributions by employer	0.2
Benefits paid	0.0
Closing fair values of plan assets	1.4
Breakdown of plan assets by asset class	
Equity instruments	29.5 %
Bonds	44.4 %
Properties	15.2 %
Cash and bank receivables	7.9 %
Others	2.9 %
Total	100.0 %
Actuarial assumptions applied at December 31, 2007 (%)	
Discount rate	5.0 %
Expected return on plan assets	6.0 %
Assumed future salary increases	4.0 %
Employee turnover	2.0 %
Inflation	4.0 %
Amounts for current period, EUR mill.	
Present value of unfunded obligations	1.5
Present value of funded obligations	2.4
Present value of the obligation	-1.4
Surplus (+) /Deficit (-)	2.5
Experience adjustments to plan assets	-0.2
Experience adjustments to plan liabilities	0.1

26. OPERATING LEASES

The Group as lessee

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

EUR mill.	2007	2006
Within one year	**124.6**	69.6
Within 1-5 years	**330.6**	211.1
In five years or more	**118.7**	140.4
Total	**573.8**	421.1

Lease payments

Within one year	**1.4**	1.1
Within 1-5 years	**1.3**	0.9
Total	**2.8**	2.0

27. CONTINGENT LIABILITIES

EUR mill.	2007	2006
Collaterals given for own liabilities		
Mortgages given	**1.7**	1.7
Securities pledged	**0.1**	0.1
Total	**1.8**	1.7
Collaterals given on behalf of other parties		
Guarantees		1.5
Total		1.5
Liabilities, total		
Mortgages	**1.7**	1.7
Guarantees		1.5
Pledges	**0.1**	0.1
Total	**1.8**	3.3

AB Lindex is involved in ongoing legal proceedings concerning the eligibility for deduction in Swedish taxation of losses of about EUR 70 million made by the Lindex Group's company in Germany. Lindex has won the previous legal proceedings in the matter in 2004/2005 and 2005/2006, but the Swedish tax authorities have appealed the decisions, and hearing of the case is continuing. Lindex has recognized against the losses a tax deduction of about EUR 21 million, including interest, which is rocognized in the income statement.

28. DERIVATIVE CONTRACTS

Nominal values of derivative contracts

EUR mill.	2007
Derivative contracts defined as cash flow hedges or as hedges of a net investment in a foreign subsidiary	
Currency forwards	**41.4**
Currency options	
- purchased	**4.1**
- issued	**4.1**
Electricity forwards	**1.5**
Total	**51.1**
Non-hedging derivative contracts	
Currency rate swaps	**10.2**
Currency forwards	**8.0**
Total	**18.2**

Fair values of derivative contracts

	2007		
EUR mill.	Positive	Negative	Net
Derivative contracts defined as cash flow hedges or as hedges of a net investment in a foreign subsidiary			
Currency forwards	**0.4**	**-0.2**	**0.2**
Currency options			
- purchased	**0.1**		**0.1**
- issued		**-0.1**	**-0.1**
Electricity forwards	**0.5**	**0.0**	**0.5**
Total	**1.0**	**-0.3**	**0.7**
Non-hedging derivative contracts			
Currency rate swaps	**0.0**	**-0.1**	**0.0**
Currency forwards		**-0.2**	**-0.2**
Total	**0.0**	**-0.3**	**-0.2**

All the derivatives that are open at the balance sheet date, December 31, 2007, fall due in one year. The Group did not have open derivative contracts at December 31, 2006.

Currency swaps and forward exchange contracts have been measured at fair value using market prices at the balance sheet date. The fair values of currency options are calculated using market quotations at the balance sheet date and the Black&Scholes option valuation model. Changes in the fair values of currency derivatives are recognized either in equity or in the balance sheet depending on whether hedge accounting has been applied to them. The fair values of electricity derivatives are based on market prices at the balance sheet date. Derivative contracts did not result in hedge accounting-related ineffectiveness that was to be recorded through profit or loss in 2007.

29. RELATED PARTY TRANSACTIONS

Members of the Board of Directors and Management Committee belong to the Group's related party, as well as the parent company and subsidiaries and joint ventures.

The relationships between the company's parent company and subsidiaries are shown on Pages 98-99.

The following transactions were carried out with related parties:

Management's employee benefits

EUR mill.	2007	2006
Salaries and other short-term employee benefits		
Chief executive officer	**0.8**	1.0
Executive vice president	**0.5**	0.6
Other members of the Management Committee	**1.7**	1.5
Emoluments to the members of the Board	**0.3**	0.3
Total	**3.3**	3.3

Emoluments*

EUR thousands	2007	2006
To members and deputy members of the Board of Directors		
Bergh Kaj-Gustav	**38.5**	
Etola Erkki	**50.5**	49.1
Koivu Lasse	**2.5**	74.1
Liljeblom Eva	**40.5**	39.1
Niemistö Kari	**40.0**	38.7
Taxell Christoffer	**75.0**	38.2
Teir-Lehtinen Carola	**40.0**	38.1
Wiklund Henry	**40.5**	39.1
Total	**327.5**	316.4

*paid in shares 3 574 pieces in 2007, (4 043 pieces in 2006).

Key employee share options 2006

At December 31, 2006 and at December 31, 2007, Group management held 132 000 share options that have been granted but are not yet 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 was divided into two-year periods and extended 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 were 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 was estimated for each two-year period. In 2006, on the basis of meeting the aggregate targets for 2004-2005, all the members of the Management Committee were granted a total of 9 930 Stockmann Series B shares as well as a cash payment of EUR 488 407.05. In 2007, on the basis of meeting the aggregate targets for 2005-2006, all the members of the Management Committee were granted a total of 9 769 Stockmann Series B shares as well as a cash payment of EUR 533 094.33.

Management's pension commitments

The contractually agreed retirement 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.	2007	2006
Rentals paid to companies controlled by members of the Board of Directors	0.8	0.8

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

30. FINANCIAL RISK MANGEMENT

After acquiring 97.8 per cent of the shares in Lindex AB of Sweden in December 2007, Stockmann's capital structure changed significantly, with a concurrent significant increase in the interest rate and foreign exchange exposures. The Notes to the Consolidated Financial Statements at December 31, 2007, in compliance with IFRS 7 are based on the currently valid financing policies of Lindex and Stockmann, which differ from each other to some extent in respect of the hedging of foreign exchange exposures. The financing policy will be harmonized during the process of integrating Lindex so that the policy encompasses the entire Group. The principles of managing Lindex's financial risks are mentioned separately if there are divergences in them.

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 guidelines that are approved by the Board of Directors. The objective of financial risk management is to ensure reasonable financing for the Group in all circumstances and to reduce the effects of market risks on the Group's profit and balance sheet. Treasury Management acts in accordance with more detailed guidelines setting out the principles of managing financial risks as well as the management of liquidity and collateral. The divisions have separate instructions for hedging foreign exchange exposure and for the policy regarding collateral.

The Group's main financial risks are currency risk, interest rate risk, liquidity risk, refinancing risk and counterparty risk. The counterparty in hedging undertaken by the divisions is Group Treasury, which enters into the Group's external financing agreements with banks and other financial institutions. Group Treasury, which reports to the Chief Executive officer of Stockmann plc, is responsible for managing and hedging currency, interest rate, liquidity and refinancing risks.

The financial risks in the balance sheet and the financial risks connected with commercial cash flows and the hedging of them are reported the Board of Directors quarterly. The report concerning the Group's financial risks is included in the monthly reporting to Group 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 net investments in units abroad. The most important sales currencies are the Russian rouble, the Estonian kroon, the Latvian lat and the Swedish krona and the primary purchasing currencies are the United States dollar, the Hong Kong dollar, the British pound and the Swedish krona. In 2007, foreign currency-denominated sales accounted for 30 per cent of the Group's entire sales, and purchases made in foreign currency made up 6 per cent of the Group's purchases. Lindex's figures are included in the Group's figures as from December 6, 2007.

Transaction risk

Stockmann's transaction risk derives from the currency flows connected with disposals and purchases of the Group's business units as well as from loans and receivables denominated in foreign currency.

The business units are responsible for forecasting future net cash flows denominated in foreign currency and for managing the currency risk connected with them. The management of currency risk related to operational cash flows is based on the forecast 6-month cash flows. The hedging period is generally a maximum of 6 months and the degree of hedging for individual currencies can vary in the range of 0– 100%. According to Lindex's financing policy, the degree of hedging for agreement-based cash flows has been at least 70 per cent.

Foreign subsidiaries are financed primarily in the local currency, whereby the foreign subsidiary does not incur significant transaction risk. Group Treasury is responsible for managing the currency risk of the foreign currency-denominated receivables and liabilities in Stockmann's balance sheet. The degree of hedging can vary in the range of 0–100%.

Translation risk

The Stockmann Group incurs translation risk when the financial statements of foreign subsidiaries are translated into euro amounts in the Consolidated Financial Statements. For foreign currency-denominated net investments, the effects of changes in foreign exchange rates appear as the translation difference in the Group's equity. Stockmann hedges translation risk for equity selectively by means of loans in foreign currency or with derivatives. Hedging decisions are taken by the Chief Executive Officer of Stockman plc upon a proposal by Group Treasury, taking into account any effect the hedging measure may have on the Group's earnings, balance sheet and cash flows as well as hedging costs.

The Group's currency exposures

2007, EUR mill.	**SEK**	**LVL**	**EEK**	**RUB**	**LTL**	**NOK**
Receivables	**785.7**	**20.4**	**1.9**	**23.8**	**3.9**	**6.0**
Loans from financial institutions	**-826.3**					**-2.5**
Trade payables and other current liabilities	**-4.3**	**0.0**	**-20.0**	**-9.9**		**-0.5**
Foreign currency exposure in the balance sheet	**-44.9**	**20.4**	**-18.0**	**13.9**	**3.9**	**3.0**
Foreign exchange derivatives hedging balance sheet items	**5.4**	**-7.6**				
Foreign currency loans hedging a net investment	**48.7**					
Net position in the balance sheet	**9.2**	**12.8**	**-18.0**	**13.9**	**3.9**	**3.0**

2006, EUR mill.	SEK	LVL	EEK	RUB	LTL	NOK
Receivables	0.0	25.6	3.7	19.2	2.2	
Trade payables and other current liabilities	-0.2	0.0	-10.0	-6.8		
Foreign currency exposure in the balance sheet	-0.1	25.5	-6.3	12.4	2.2	
Net position in the balance sheet	-0.1	25.5	-6.3	12.4	2.2	

Foreign exchange derivatives hedging cash flows

EUR mill.	2007
USD	**36.9**
NOK	**-18.5**
HKD	**8.4**
Total	**26.9**

A strengthening of five percentage points in the euro's exchange rate against all currencies would have an imputed effect at the balance sheet date, December 31, 2007, on Stockmann's profit after taxes of EUR -0.7 million (2006: EUR -0.2 million) and on equity after taxes of EUR -2.8 million (2006: EUR -1.1million). A weakening of five percentage points in the euro's exchange rate against all currencies would have a calculatory effect at the balance sheet date, December 31, 2007, on Stockmann's profit after taxes of EUR +0.8 million (2006: EUR +1.4 million) and on equity after taxes of EUR +3.1 million (2006: EUR +1.3million). In calculating the effect on equity, net investments in foreign subsidiaries have been taken into account.

INTEREST RATE RISK

Fluctuations in the level of interest rates affect the Group's interest expenses and interest income. After acquiring Lindex, the Group's interest rate risk has grown significantly as a consequence of the increase in interest-bearing liabilities. The objective of the Group's management of interest rate risk is to reduce the uncertainty to which Stockmann's earnings may be subjected due to changes in the level of interest rates. 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 average interest rate maturity of the loan and investment portfolio is a maximum of five years Interest rate derivatives can be used in managing interest rate risk. At the balance sheet date, December 31, 2007, loans were for the most part floating-rate, and interest rate derivatives were not in use.

The following table summarizes the re-pricing of the Group's interest-bearing liabilities at the balance sheet date December 31, 2007:

Time of occurrence of interest rate change	within one year	within 1-5 years	within over 5 years	Total
Floating rate				
- loans from financial institutions	**877.5**			**877.5**
Fixed-rate				
- loans from financial institutions	**5.4**		**0.2**	**5.7**
- other interest-bearing liabilities	**22.4**			**22.4**
Total	**905.3**		**0.2**	**905.6**

A rise of one percentage point in market interest rates would have an imputed effect at the balance sheet date, December 31, 2007, on Stockmann's profit after taxes of EUR -5.0 million (2006: EUR +0.4 million). Correspondingly, a decline of the percentage point in market interest rates would have an imputed effect at the balance sheet date, December 31, 2007, on Stockmann's profit after taxes of EUR +5.0 million (2006: EUR -0.4 million). At the balance sheet date there were no items that are recognized directly in equity.

ELECTRICITY PRICE RISK

Lindex uses electricity derivatives to reduce the price risk affecting its future electricity procurements. In accordance with Lindex's financial policy, the degree of hedging of future electricity prices is a maximum of 100%. At the balance sheet date, December 31, 2007, a change of 10 percentage points in the market price of electricity does not have a material impact on Stockmann's profit and equity after taxes.

LIQUIDITY AND REFINANCING RISK

The aim of managing liquidity risk is to ensure that Stockmann is able to meet its financial obligations any time. In order to manage liquidity risk, Stockmann must have a sufficiently large payments reserve. Stockmann's payments reserve must be on average at least an amount corresponding to one month's operational cash disbursements. Cash and cash equivalents as well as unused binding and non-binding financing resources are counted in the payments reserve.

The Group has a total of EUR 100 million of committed long-term credit facilities, which fall due in 2010. For financing the purchase of the Lindex shares, Stockmann agreed in 2007 on a new credit facility to a total of EUR 1 100 million, which falls due in 2009. Lindex has a total of EUR 115.2 million of committed credit facilities, which can be used as cheque account credit lines or loan financing as well as for foreign trade payments against document or derivative contracts. In addition, the Group's EUR 362.5 million domestic commercial paper programme serves as a uncommitted financing reserve.

Cash and bank receivables as well as unused committed credit facilities

EUR mill.	2007	2006
Cash and bank receivables	**33.2**	59.2
Credit facility, due in 2010	**100.0**	100.0
Credit agreement, due in 2011	**20.0**	40.0
Credit facility, due in 2009	**273.7**	
Other credit facilities	**80.1**	3.2
Total	**507.0**	202.4

Cash flows based on agreements in financial liabilities, including financing costs, were the following at December 31, 2007:

EUR mill.	2008	2009	2010	2011	2012+	Total
Loans from financial institutions	71.9	862.3	1.4	30.7	0.3	966.6
Other interest-bearing liabilities	22.4					22.4
Trade payables and other current liabilities	252.9					252.9
Foreign exchange derivatives	0.5					0.5
Total	347.7	862.3	1.4	30.7	0.3	1 242.4

The EUR 826.3 million loan raised to purchase the Lindex shares falls due, under the terms of the loan agreement, in 2009. Stockmann intends to finance the loan falling due in 2009 with a new long-term loan before the original loan's due date. To refinance part of the loan for the purchase of the Lindex shares, Stockmann's Board of Directors is considering undertaking measures to increase the company's share capital.

Cash flows based on agreements in financial liabilities, including financing costs, were the following at December 31, 2006:

EUR mill.	2007	2008	2009	2010	2011+	Yhteensä
Loans from financial institutions	0.9	13.7	0.4	0.4	10.4	25.8
Trade payables and other current liabilities	145.9					145.9
Total	146.8	13.7	0.4	0.4	10.4	171.7

CREDIT AND COUNTERPARTY RISK

Trade receivables as well as receivables based on investments and derivative contracts expose the Group to credit risk. The counterparty risk associated with investments and derivative contracts is managed by means of counterparty limits approved by the Board of Directors. Derivative contracts are entered into 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. The Group does not incur major credit risk relating to commercial trade receivables because its outstanding receivables consist of a large amount of small receivables, and customers are primarily private individuals whose creditworthiness has been checked.

AGEING OF TRADE RECEIVABLES

EUR mill.	2007	2006
Trade receivables not due	140.9	139.3
Trade receivables falling due in 1 – 30 days	16.8	13.1
Trade receivables falling due in 31 – 120 days	3.9	3.6
Trade receivables falling due in over 120 days	3.5	4.0
Total	165.0	160.0

The carrying amount value of trade receivables corresponds to the maximum amount of the credit risk for them. EUR 1.9 million of impairment losses were recognized on trade receivables in 2007 (2006: EUR 0.5 million), the impairment charge being made for trade receivables due over 120 days. Based on experience, Stockmann estimates that there is no need to recognize an impairment loss on trade receivables that have not fallen due.

MANAGEMENT OF THE CAPITAL STRUCTURE

The Group's objective in managing the capital structure is an efficient capital structure that ensures the Group's operating fundamentals in the capital markets in all conditions irrespective of volatility in the sector. Although the Group does not have a public credit rating issued by a credit rating agency, the objective is to maintain the same type of capital structure as do other retailers who have a good credit rating. The Group monitors the trend in its capital structure by measuring the proportion of equity to total capital (equity ratio). In conducting its strategy process, the Board of Directors has defined the target of maintaining an equity ratio of 50 per cent. The debt financing in the first phase of the Lindex acquisition weakened the equity ratio during the financial period. The ratio of equity to total capital at December 31, 2007 was 32.6 per cent (at December 31, 2006 it was 74.5). During 2008, when the Lindex acquisition has been completed, the Board of Directors will reassess the Group's long-term financial targets. In addition, the Board of Directors will propose to the Annual General Meeting that share issue authorizations be granted for a maximum of 15 million shares.

31. EVENTS AFTER THE BALANCE SHEET

The company's management is not aware of materially important events after the balance sheet date, which might have affected the preparation of the financial statements.

Parent company income statement

Parent company income statement, FAS

	Ref.	Jan.1- Dec. 31, 2007 EUR mill.	% of Rev.	Jan.1- Dec. 31, 2006 EUR mill.	% of Rev.
REVENUE		**713.5**	100.0	681.4	100.0
Other operating income	1	**22.6**	3.2	26.6	3.9
Raw materials and services					
Raw materials and consumables:					
Purchases during the financial year		**415.9**		394.9	
Variation in stocks, increase (-), decrease (+)		**-2.5**		6.8	
Raw materials and services, total		**413.4**	57.9	401.7	59.0
Staff expenses	2	**137.1**	19.2	134.2	19.7
Depreciation and reduction in value	3	**11.6**	1.6	12.2	1.8
Other operating expenses	4	**99.3**	13.9	94.6	13.9
		661.4	92.7	642.7	94.3
OPERATING PROFIT		**74.7**	10.5	65.3	9.6
Financial income and expenses	5	**6.9**	1.0	37.8	5.5
PROFIT BEFORE EXTRAORDINARY ITEMS		**81.6**	11.4	103.0	15.1
Extraordinary items	6				
Extraordinary income		**18.2**		22.0	
Extraordinary expenses		**-2.5**		-1.2	
Extraordinary items, total		**15.7**	2.2	20.8	3.1
PROFIT BEFORE APPROPRIATIONS AND TAXES		**97.3**	13.6	123.8	18.2
Appropriations	7	**0.5**	0.1	1.2	0.2
Income taxes					
For the financial year		**25.4**		22.4	
For previous financial years		**0.0**		0.0	
Income taxes, total		**25.4**	3.6	22.4	3.3
PROFIT FOR THE FINANCIAL YEAR		**72.4**	10.1	102.7	15.1

Parent company balance sheet

Parent company balance sheet, FAS

ASSETS	Ref.	Dec. 31, 2007 EUR mill.	Dec. 31, 2006 EUR mill.
NON-CURRENT ASSETS			
Intangible assets	8		
Intangible rights		**2.8**	3.5
Advance payments and projects in progress		**1.7**	1.1
Intangible assets, total		**4.5**	4.6
Tangible assets	9		
Land and water		**12.4**	13.4
Buildings and constructions		**124.9**	119.3
Machinery and equipment		**6.8**	10.1
Modification and renovation expenses for leased premises		**10.3**	11.0
Other tangible assets		**0.1**	0.1
Advance payments and construction in progress		**80.5**	52.9
Tangible assets, total		**234.8**	206.8
Investments	10		
Holdings in Group undertakings		**87.6**	38.7
Other shares and participations		**17.5**	17.5
Investments, total		**105.2**	56.3
NON-CURRENT ASSETS, TOTAL		**344.5**	267.7
CURRENT ASSETS			
Stocks		**75.4**	72.9
Non-current debtors			
Amounts owed by Group undertakings		**880.0**	77.6
Non-current debtors, total		**880.0**	77.6
Current debtors	11		
Trade debtors		**93.5**	90.7
Amounts owed by Group undertakings		**204.3**	166.6
Other debtors		**2.3**	5.5
Prepayments and accrued income		**1.2**	1.8
Current debtors, total		**301.4**	264.6
Debtors, total		**1 181.3**	342.2
Cash and cash equivalents	12	**4.7**	46.2
CURRENT ASSETS, TOTAL		**1 261.4**	461.3
ASSETS TOTAL		**1 605.9**	729.0
LIABILITIES			
EQUITY	13-14		
Share capital		**112.2**	111.3
Share issue			0.4
Premium fund		**186.3**	183.7
Other funds		**43.7**	43.7
Retained earnings		**94.5**	63.5
Net profit for the financial year		**72.4**	102.7
EQUITY, TOTAL		**509.2**	505.4
ACCUMULATED APPROPRIATIONS	15	**67.9**	68.4
CREDITORS			
Non-current creditors			
Loans from credit institutions		**856.3**	10.0
Non-current creditors, total		**856.3**	10.0
Current creditors	16-17		
Trade creditors		**50.7**	51.1
Amounts owed to Group undertakings		**42.2**	46.9
Other creditors		**48.9**	23.9
Accruals and prepaid income		**30.8**	23.3
Current creditors, total		**172.6**	145.2
CREDITORS, TOTAL		**1 028.8**	155.2
LIABILITIES TOTAL		**1 605.9**	729.0

Parent company cash flow statement

Parent company cash flow statement

	2007 EUR millions	2005 EUR millions
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the financial year	72.4	102.7
Adjustments:		
Deprecation and appropriations	11.2	11.0
Profit (-) and loss (+) from sales of non-current assets	-15.7	-47.5
Other adjustments	0.4	0.4
Financial expenses	12.8	5.5
Financial income	-19.7	-43.2
Income taxes	25.4	22.4
Changes in working capital:		
Change in trade and other receivables	22.9	1.7
Change in inventories	-2.5	6.8
Change in trade payables and other liabilities	-48.0	2.4
Interest paid	-4.9	-5.8
Interest received	10.5	14.1
Income taxes paid	-23.6	-25.8
NET CASH FROM OPERATING ACTIVITIES	41.1	44.8
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal of subsidiaries less cash at date of disposal		63.0
Investments in tangible and intangible assets	-32.0	-56.2
Acquisition of subsidiaries	-48.9	
Cash from tangible assets		5.2
Capital expenditures on other investments	0.0	-0.2
Cash from other investments		0.8
Loans granted	-830.6	
Interim dividend from Group undertakings	28.4	
Dividends received	0.1	0.1
NET CASH USED IN INVESTING ACTIVITIES	-883.0	12.7
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in loans granted, increase (-), decrease (+)		6.5
Proceeds from issue of share capital	5.8	17.2
Proceeds from short-term borrowings	-24.6	-14.9
Loans drawn down	870.4	10.0
Dividends paid	-72.1	-59.5
Extraordinary items	20.8	23.6
NET CASH USED IN FINANCING ACTIVITIES	800.3	-17.2
Change in cash and cash equivalents	-41.6	40.3
Cash and cash equivalents at start of the financial year	46.2	5.9
Cash and cash equivalents at end of the financial year	4.7	46.2

Notes to the parent company financial statements

Accounting policies

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 30, 1997.

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 profits 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 and goodwill arising on consolidation	5 years
• Modification and renovation expenses for leased premisies	5 – 10 years
• Buildings	20 – 50 years
• Machinery and equipment	4 – 10 years
• Motor vehicles and 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 PROFIT AND LOSS ACCOUNT

1. Other operating income

EUR mill.	2007	2006
Capital gains on divestments		15.3
Transfer Agreement for the Loyal Customer programme	9.7	
Other operating income	0.3	0.3
Rental income from subsidiaries	3.7	3.7
Compensation for services to Group compa	8.9	7.3
Total	22.6	26.6

2. Staff expenses

EUR mill.	2007	2006
Salaries and emoluments paid to the CEO and his alternate	1.3	1.5
Salaries and emoluments paid to the Board of Directors	0.3	0.3
Other wages and salaries	107.5	105.3
Wages during sick leave	3.7	3.7
Pension expenses	17.4	16.6
Other staff costs	6.9	6.7
Total	137.1	134.2

Parent company staff, average	**5 157**	5 115

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.	2007	2006
Intangible rights	1.3	1.4
Modification and renovation expenses for leased premises	1.8	1.9
Buildings and constructions	4.5	3.7
Machinery and equipment	4.0	5.2
Total	11.6	12.2

4. Other operating expenses

EUR mill.	2007	2006
Site expenses	57.5	55.1
Marketing expenses	11.8	11.6
Goods handling expenses	4.5	4.4
Credit losses	0.5	0.3
Voluntary indirect employee costs	2.2	2.0
Other costs	22.8	21.2
Total	99.3	94.6

5. Financial income and expenses

EUR mill.	2007	2006
Dividend income	0.1	0.1
Interim dividend from Group undertakings		28.4
Interest income from interest-bearing trade debtors	7.9	7.8
Interest income	0.3	0.3
Interest income from Group undertakings parties outside the Group	11.6	3.9
Capital gains on divestments		0.8
Interest and other financial expenses paid to Group undertakings	-1.3	-0.7
Foreign exchange losses and gains (net)	-4.6	-1.6
Other interest and financial expenses paid to parties outside the Group	-7.0	-1.1
Total	6.9	37.8

6. Extraordinary items

EUR mill.	2007	2006
Contributions from Group companies	18.2	22.0
Contributions to Group companies	-2.5	-1.2
Total	15.7	20.8

7. Appropriations

EUR mill.	2007	2006
Change in depreciation reserve		
Intangible rights	0.1	0.0
Modification and renovation expenses for leased premises	0.1	0.3
Buildings and constructions	-1.4	-1.5
Machinery and equipment	1.7	2.4
Total	0.5	1.2

Non-current assets

8. Intangible assets

EUR mill.	2007	2006
Intangible rights		
Acquisition cost Jan. 1	9.0	10.0
Increases Jan. 1-Dec. 31	0.6	1.6
Decreases Jan. 1-Dec. 31	-2.4	-2.6
Acquisition cost Dec. 31	7.2	9.0
Accumulated depreciation Jan. 1	5.4	6.7
Depreciation on reductions	-2.4	-2.6
Depreciation for the financial year	1.3	1.4
Accumulated depreciation Dec. 31	4.4	5.4
Book value Dec. 31	2.8	3.5

Advance payments and projects in progress

EUR mill.	2007	2006
Acquisition cost Jan. 1	1.1	1.1
Increases Jan. 1-Dec. 31	0.7	1.1
Transfers between items		-1.1
Book value Dec. 31	1.7	1.1

Intangible assets, total	**4.5**	4.6

9. Tangible assets

EUR mill.	2007	2006
Land and water		
Acquisition cost Jan. 1	7.5	5.6
Increases Jan. 1-Dec. 31		2.4
Decreases Jan. 1-Dec. 31	-1.0	-0.4
Acquisition cost Dec. 31	6.5	7.5
Revaluations Jan. 1 and Dec. 31	5.9	5.9
Book value Dec. 31	12.4	13.4

Buildings and constructions

EUR mill.	2007	2006
Acquisition cost Jan. 1	135.6	127.4
Increases Jan. 1-Dec. 31	10.0	8.4
Decreases Jan. 1-Dec. 31	-1.2	-0.2
Acquisition cost Dec. 31	144.4	135.6
Accumulated depreciation Jan. 1	42.8	39.3
Depreciation on reductions	-1.2	-0.2
Depreciation for the financial year	4.5	3.7
Accumulated depreciation Dec. 31	46.1	42.8
Revaluations Jan. 1 and Dec. 31	26.5	26.5
Book value Dec. 31	124.9	119.3

Machinery and equipment

EUR mill.	2007	2006
Acquisition cost Jan. 1	**43.6**	48.4
Increases Jan. 1-Dec. 31	**0.7**	0.8
Decreases Jan. 1-Dec. 31	**-10.3**	-5.6
Acquisition cost Dec. 31	**34.0**	43.6
Accumulated depreciation Jan. 1	**33.5**	33.9
Depreciation on reductions	**-10.3**	-5.6
Depreciation for the financial year	**4.0**	5.2
Accumulated depreciation Dec. 31	**27.3**	33.5
Book value Dec. 31	**6.8**	10.1

Modification and renovation expenses for leased premises

EUR mill.	2007	2006
Acquisition cost Jan. 1	**20.8**	19.7
Increases Jan. 1-Dec. 31	**1.1**	2.1
Decreases Jan. 1-Dec. 31	**-0.8**	-1.0
Acquisition cost Dec. 31	**21.0**	20.8
Accumulated depreciation Jan. 1	**9.8**	8.9
Depreciation on reductions	**-0.8**	-1.0
Depreciation for the financial year	**1.8**	1.9
Accumulated depreciation Dec. 31	**10.7**	9.8
Book value Dec. 31	**10.3**	11.0

Other tangible assets

EUR mill.	2007	2006
Acquisition cost Jan. 1	**0.1**	0.1
Acquisition cost Dec. 31	**0.1**	0.1
Book value Dec. 31	**0.1**	0.1

Advance payments and construction in progress

EUR mill.	2007	2006
Acquisition cost Jan. 1	**52.9**	9.1
Increases Jan. 1-Dec. 31	**57.4**	52.9
Transfers between items	**-29.9**	-9.1
Acquisition cost Dec. 31	**80.5**	52.9
Book value Dec. 31	**80.5**	52.9

Tangible assets, total	**234.8**	206.8

Revaluations included in balance sheet values

EUR mill.	2007	2006
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 perioc 1950 to 1984 and are based on then estimates of real-estate values.

10. Investments

EUR mill.	2007	2006
Holdings in Group undertakings		
Acquisition cost Jan. 1	**38.7**	77.9
Increases Jan. 1-Dec. 31	**48.9**	
Decreases Jan. 1-Dec. 31		-39.1
Book value Dec. 31	**87.6**	38.7

Other shares and participations

EUR mill.	2007	2006
Acquisition cost Jan. 1	**17.5**	17.3
Increases Jan. 1-Dec. 31	**0.0**	0.2
Decreases Jan. 1-Dec. 31		0.0
Book value Dec. 31	**17.5**	17.5

Investments, total	**105.2**	56.3

Debtors

11. Current debtors

EUR mill.	2007	2006
Interest-bearing trade debtors	**40.1**	41.4
Non-interest bearing trade debtors	**53.4**	49.3
Trade debtors, total	**93.5**	90.7
Interest-bearing loan receivables		
Amounts owed by Group undertakings*	**204.3**	166.6
Other debtors	**2.3**	5.5
Prepayments and accrued income	**1.2**	1.8
Current debtors, total	**301.4**	264.6

*including the receivable of interim dividend 28.4 EUR mill. year 2006

Essential items in prepayments and accrued income

EUR mill.	2007	2006
Deferred annual discounts	**0.4**	0.6
Periodized financial income and expenses	**0.0**	0.0
Deferred indirect employee costs	**0.6**	0.6
Other receivables	**0.1**	0.6
Total	**1.2**	1.8

12. Cash and cash equivalents

EUR mill.	2007	2006
Cash in hand and at banks	**0.1**	39.0
Securities held in current assets	**4.6**	7.3
Total	**4.7**	46.2

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.	2007	2006
Market value Dec. 31	**0.1**	39.0
Book value Dec. 31	**0.1**	39.0
Difference		

13. Changes in equity

EUR mill.	2007	2006
Share capital		
Series A shares Jan. 1 and Dec. 31	**49.1**	49.1
Series B shares Jan. 1	**62.2**	59.8
Subscriptions with options	**0.9**	2.4
Series B shares Dec. 31	**63.1**	62.2
Share capital, total	**112.2**	111.3
Share issue		0.4
Premium fund Jan. 1	**183.7**	166.8
Subscriptions with options	**2.6**	16.7
Share bonus		0.2
Premium fund Dec. 31	**186.3**	183.7
Other funds Jan. 1 and Dec. 31	**43.7**	43.7
Retained earnings Jan. 1	**166.2**	122.8
Dividends	**-72.1**	-59.5
Adjustment of group contribution in 2005		0.1
Share bonus	**0.4**	0.2
Total	**94.5**	63.5
Net profit for the financial year	**72.4**	102.7
Equity, total	**509.2**	505.4

Breakdown of distributable funds Dec. 31

EUR mill.	**2007**	2006
Other funds	**43.7**	43.7
Retained earnings	**94.5**	63.5
Net profit for the financial year	**72.4**	102.7
Total	**210.7**	210.0

14. 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)	**31 159 809**	30 714 892
Own B shares	**369 560**	382 903
Total	**56 093 612**	55 662 038

15. Accumulated appropriations

EUR mill.	**2007**	2006
Depreciation difference	**47.8**	48.3
Voluntary provisions	**20.1**	20.1
Total	**67.9**	68.4

16. Creditors

EUR mill.	**2007**	2006
Current interest-bearing liabilities	**22.4**	
Current non-interest-bearing liabilities	**150.2**	145.2
Total	**172.6**	145.2

17. Essential items in accruals and prepaid income

EUR mill.	**2007**	2006
Accrued staff expenses	**24.0**	21.8
Accrued interest expenses	**3.5**	0.1
Accrued taxes	**2.1**	0.2
Dividend creditors	**0.3**	0.2
Other accruals	**1.0**	1.0
Total	**30.8**	23.3

18. Security pledged

EUR mill.	**2007**	2006
Security pledged on behalf of the company		
Mortgages given	**1.7**	1.7
Security pledged		0.1
Total	**1.7**	1.7
Security pledged on behalf of other parties		
Guarantees		1.5
Total		1.5
Security pledged on behalf of Group undertakings		
Rent guarantees	**33.5**	30.2
Other guarantees	**21.0**	12.9
Total	**54.6**	43.1
Security pledged, total		
Mortgages	**1.7**	1.7
Pledges		0.1
Guarantees	**54.6**	44.7
Total	**56.3**	46.4

19. Other commitments

Leasing commitments		
Payable during the 2007/2008 financial yea	**6.4**	5.8
Payable at a later date	**16.9**	18.1
Total	**23.3**	23.9

20. 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	Book value, EUR thousands	Shareholders' equity EUR thousands
Oy Hobby Hall Ab, Helsinki	120 000	100	100	EUR	18 802	14 951
Seppälä Oy, Helsinki	30 000	100	100	EUR	5 046	12 720
Stockmann AS, Tallinn	1 800	100	100	EEK	1 136	34 259
SIA Stockmann, Riga	1 615 500	100	100	LVL	4 831	6 512
SIA Stockmann Centrs, Riga	31 500	63	63	LVL	116	775
Oy Stockmann Russia Holding Ab, Helsinki	4 000	100	100	EUR	796	1 070
Z-Fashion Finland Oy, Helsinki	50	100	100	EUR	8	411
Oy Suomen Pääomarahoitus-Finlands Kapitalfinans Ab, Helsinki	1 000	100	100	EUR	1 682	2 249
UAB Stockmann, Vilnius	52 000	100	100	LTL	1 510	-1 092
Stockmann Sverige AB, Stockholm	100 000	100	100	SEK	48 843	46 983
Kiinteistö Oy Mannerheimintien Pysäköintilaitos, Helsinki	300	100	100	EUR	30	34
Kiinteistö Oy Friisinkeskus II, Espoo	1 948	97	97	EUR	612	732
Kiinteistö Oy Muuntajankatu 4, Helsinki	50	100	100	EUR	3 272	2 190
Kiinteistö Oy Stävö, Helsinki	50	100	100	EUR	9	9
Oy Hullut Päivät-Galna Dagar Ab, Helsinki	40	100	100	EUR	11	11
Espoon Autotalo Oy, Espoo	400	100	100	EUR	463	35
TF-Autokeskus Oy, Vantaa	600	100	100	EUR	455	294
Parent company holdings, total					87 622	122 142

Holdings of subsidiaries	Number	Shareholding %	Voting rights %	Cur-rency	Book value, EUR thousands	Shareholders' equity EUR thousands
ZAO Kalinka-Stockmann, Moscow	583 450	100	100	RUB	3 561	13 788
ZAO Stockmann, Moscow	2 000	100	100	RUB	587	-19 191
Oy Stockmann Russia Finance Ab, Helsinki	40 000	100	100	EUR	784	1 725
Bullworker Myynti Oy, Helsinki	100	100	100	EUR	8	468
Hobby Hall AB, Stockholm	1 000	100	100	SEK	22	13
ZAO Kalinka-Stockmann STP, St Petersburg	100	100	100	RUB	32	3 740
Stockmann Stp Centre Ltd, St Petersburg	5	100	100	RUB	13 037	638
TOV Stockmann, Kiev	1	100	100	EUR	6	6
AB Lindex, Gothenburg	68 750 000	98	98	SEK	849 002	84 162
AB Lindex holdings of subsidiaries						
Lindex Sverige AB, Gothenburg	36 000	100	100	SEK		
Lindex AS, Oslo	200 000	100	100	NOK		
Lindex Oy, Helsinki	13 000	100	100	EUR		
Lindex AS, Tallinn		100	100	EEK		
Lindex SIA, Riga		100	100	LVL		
Lindex UAB, Vilnius		100	100	LTL		
Lindex s.r.o, Prague	200	100	100	CZK		
AB Espevik, Alingsås	1 000	100	100	SEK		
Espevik i Sverige AB, Gothenburg	400 000	100	100	SEK		
Lindex H.K. Ltd, Hong Kong	9 900	99	99	HKD		
Shanghai Lindex Consulting Company Ltd, Shanghai		100	100	CNY		
Lindex Financial Services AB, Gothenburg	13 230	100	100	SEK		
Lindex India Private Ltd, New Delhi	10 000	100	100	INR		
It will be fit AB, Gothenburg	1 000	100	100	SEK		
Group undertakings owned by subsidiaries, total					867 040	85 349
Group undertakings, total					954 661	207 492

Joint ventures	Number	Shareholding %	Cur-rency	Book value, EUR thousands
Arabian Liiketalo Oy, Helsinki	1 590	12.0	EUR	912
Kiinteistö Oy Raitinkartano, Espoo	1 029	15.6	EUR	5 144
Kiinteistö Oy Tapiolan Säästötammi Fastighets Ab, Espoo	3 125	37.8	EUR	5 803
Joint ventures, total				11 859

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	Book value, EUR thousands
Kiinteistö Oy Raitinkartano, Espoo	1 029	15.6	EUR	5 533
Kiinteistö Oy Tapiolan Säästötammi Fastighets Ab, Espoo	3 125	37.8	EUR	6 242
Oy Kamppiparkki Ab, Helsinki	50	6.1	EUR	1 556
Tuko Logistics Oy, Kerava	600	10.0	EUR	3 763
Others				443
Other parent company holdings, total				17 536

Proposal for the distribution of parent company profit

The parent company's distributable funds according to the balance sheet at December 31, 2007, were EUR 210.7 million.

According to the Parent Company Balance Sheet at December 31, 2007, the following amounts are at the disposal of the Annual General Meeting:

- retained earnings, including the Contingency fund	138 245 634.94
- net profit for the financial year	72 405 825.36
	210 651460.30

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

- on the 55 724 052 shares owned by external parties be paid a dividend of EUR 1.35 per share for the 2007 financial year	75 227 470.20
- to be carried forward to the Contingency fund and Retained earnings	135 423 990.10
	210 651 460.30

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

Helsinki, February 7, 2008

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

BOARD OF DIRECTORS

Christoffer Taxell

Kaj-Gustaf Bergh

Erkki Etola

Eva Liljeblom

Kari Niemistö

Carola Teir-Lehtinen

Henry Wiklund

CEO

Hannu Penttilä

Auditors' report

To the shareholders of Stockmann plc

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Stockmann plc for the period 1 January - 31 December 2007. The Board of Directors and the Managing Director have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, containing the consolidated balance sheet, income statement, cash flow statement, statement on the changes in equity and notes to the financial statements, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the parent company's financial statements and the administration.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report and 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 the administration is to examine whether the members of the Board of Directors and the Managing Director 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 defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

Parent company's financial statements, report of the Board of Directors and administration

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company's financial statements give a true and fair view of the parent company's result of operations and of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company's financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the disposal of distributable funds is in compliance with the Companies Act.

Helsinki, 11 February 2008

Jari Härmälä	Henrik Holmbom
Authorized Public Accountant	Authorized Public Accountant

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