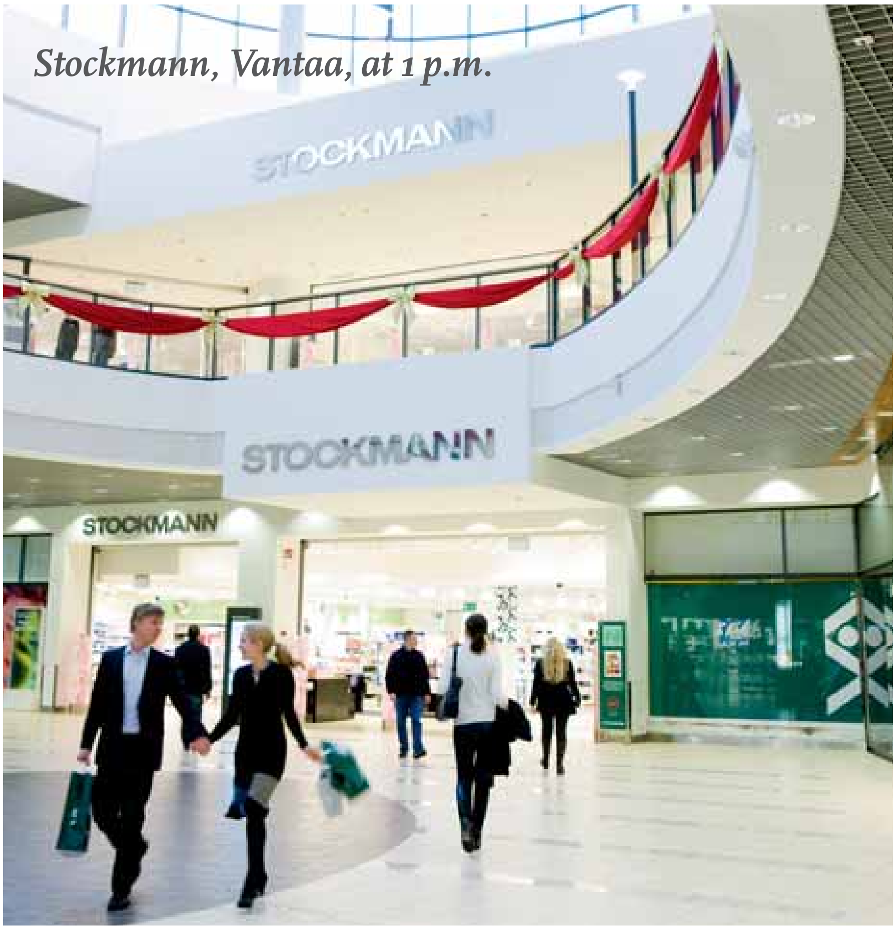
Annual Report 2008

Hobby Hall, online in Estonia at 1 p.m.

Lindex, Oslo, at 12.00 noon



Stockmann, Vantaa, at 1 p.m.

Seppälä, Novosibirsk, at 6 p.m.

STOCKMANN

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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.

Stockmann in brief

Stockmann is a Finnish listed company which was established in 1862 and is engaged in the retail trade. It has more than 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. The Stockmann Group's store chains operate in Finland, Sweden, Norway, Russia, Estonia, Latvia, Lithuania, the Czech Republic, Ukraine and Saudi Arabia.

STOCKMANN LINDEX HOBBY HALL Seppälä

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	
ACTUAL 2001	9.8 %	3.6 %	Achieved	
ACTUAL 2002	12.6 %	4.7 %	Achieved	
ACTUAL 2003	13.2 %	4.7 %	Achieved	
ACTUAL 2004	14.3 %	4.9 %	Achieved	
TARGET SET IN 2005, UP TO 2010	Minimum 20 %	Minimum 8 %	Above industry average	Minimum 50 %
ACTUAL 2005	19.6 %	6.7 %	Achieved	66.4 %
TARGET SET IN 2006, UP TO 2011	22.0 %	10.0 %	Above industry average	Minimum 50 %
ACTUAL 2006	22.9 %	10.0 %	In line with industry average	74.5 %
ACTUAL 2007	12.1 %	9.0 %	In line with industry average	32.6 %
TARGET SET IN 2008, UP TO 2013	Minimum 20 %	Minimum 12 %	Above industry average	Minimum 40 %
ACTUAL 2008	8.3 %	6.5 %	In line with industry average	39.0 %

The Group structure underwent a major change following the acquisition of Lindex towards the end of 2007. Consequently, the Board of Directors reassessed the Group's long-term financial targets on 18 June 2008.

Dividend policy

Stockmann's Board of Directors has set the dividend payout target at more than 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 2009 Annual General Meeting of the shareholders of Stockmann plc will be held on Tuesday 17 March 2009 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 10 March 2009 at 4.00 p.m., telephone +358 9 121 3260 or the company's website www.stockmann.com.

Those shareholders are entitled to participate in the Annual General Meeting, who have been entered on 6 March 2009 as shareholders in the Shareholder Register kept by Euroclear Finland 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 0.62 per share be paid for the 2008 financial year. The dividend decided by the Annual General Meeting will be paid to a shareholder who on the record date for dividend payment, 20 March 2009, has been entered in the Shareholder Register kept by Euroclear Finland Ltd. The Board proposes to the Annual General Meeting that the dividend be paid on 2 April 2009.

The Board also proposes that it be authorised to decide at its discretion on the payment of a dividend of no more than EUR 0.38 per share, the company's financial standing permitting, in addition to the above-mentioned dividend decided by the Annual General Meeting. The Board must make its decision by 31 December 2009. Any dividend paid on the basis of the Board's decision will be paid to shareholders who are entered, on the record date decided by the Board, in the Shareholder Register kept by Euroclear Finland Ltd. The Board will decide on the record date and on the date of dividend payment, which may not occur before five banking days have elapsed, inclusive of the record date.

Changes in name and address

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

Financial information on Stockmann

Stockmann will publish the following financial reports in 2009:

- January–March Interim Report 23 April 2009
- January–June Interim Report 4 August 2009
- January–September Interim Report 22 October 2009

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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Telephone +358 9 121 3089
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e-mail info@stockmann.com

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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Standard & Poor's
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Canary Wharf
London E14 5LH
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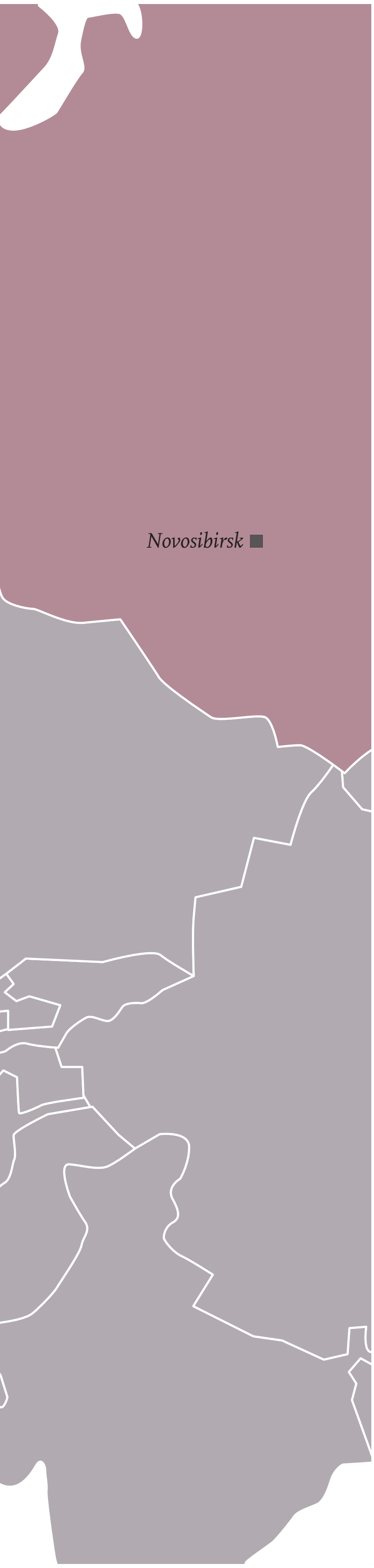
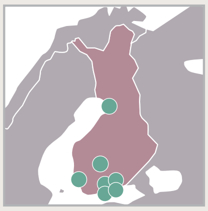
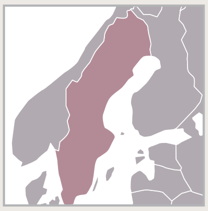
Stockmann's commercial operations

● = Stockmann department store





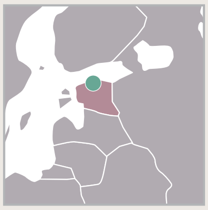
Finland
- 7 department stores
- 7 Academic Bookstores
- 53 Lindex stores
- Hobby Hall mail order sales, an online store and 2 stores
- 132 Seppälä stores
- 15 Stockmann Beauty stores
- 4 Zara stores
- 1 Outlet store



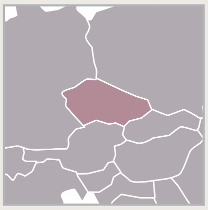
Sweden
- 195 Lindex stores

Russia
- 4 department stores
- 1 Lindex store
- 34 Seppälä stores
- 18 Bestseller stores
- 7 Nike stores
- 1 speciality store
- 1 Outlet store

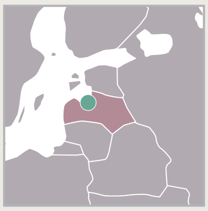
Norway
- 93 Lindex stores



Estonia
- 1 department store
- 5 Lindex stores
- Hobby Hall mail order sales, an online store and a store
- 18 Seppälä stores

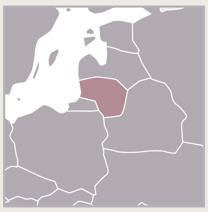


The Czech Republic
- 3 Lindex stores

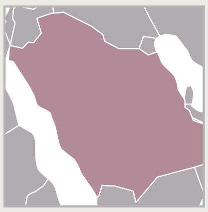


Latvia
- 1 department store
- 7 Lindex stores
- Hobby Hall mail order sales and an online store
- 9 Seppälä stores

Ukraine
- 1 Seppälä store

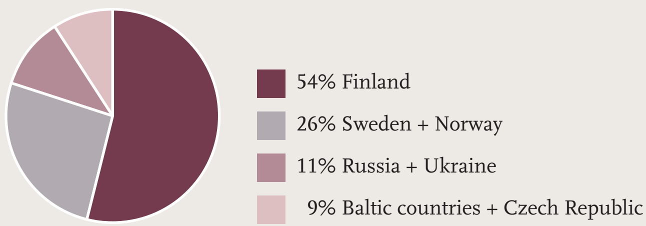


Lithuania
- 4 Lindex stores
- Hobby Hall mail order sales and an online store
- 9 Seppälä stores



Saudi Arabia
- 5 Lindex's franchising stores

SALES BY GEOGRAPHICAL SEGMENT



Stockmann in 2008

Key figures

		2004	2005	2006	2007	2008
Sales	EUR mill.	1 735.0	1 851.3	1 552.6	1 668.3	**2 265.8**
Change in sales	%	2.1	6.7	-16.1	7.4	**35.8**
Revenue	EUR mill.	1 445.0	1 542.6	1 300.7	1 398.2	**1 878.7**
Staff expenses	EUR mill.	202.2	218.0	204.7	224.1	**350.5**
Share of revenue	%	14.0	14.1	15.7	16.0	**18.7**
Operating profit	EUR mill.	79.8	103.7	129.5	125.2	**121.9**
Share of revenue	%	5.5	6.7	10.0	9.0	**6.5**
Profit before taxes	EUR mill.	78.9	102.8	128.9	119.4	**71.7**
Investment in fixed assets	EUR mill.	59.0	57.0	125.5	977.4	**182.3**
Total assets	EUR mill.	749.0	761.5	767.6	1 823.7	**1 765.0**
Share capital	EUR mill.	106.8	109.0	111.7	112.2	**123.4**
Market capitalization at 31 December	EUR mill.	1 140.8	1 761.3	2 028.6	1 659.8	**611.6**
Dividend paid	EUR mill.	53.0	59.5	72.1	75.2	
Board proposal to AGM*	EUR mill.					**38.0**
The Board's authorization to pay a dividend**	EUR mill.					**23.3**
Dividend per share[1)]	EUR	1.00	1.10	1.30	1.35	
Board proposal to AGM*	EUR					**0.62**
The Board's authorization to pay a dividend**	EUR					**0.38**
Earnings per share[1)]	EUR	1.13	1.44	1.93	1.59	**0.67**
Earnings per share, diluted[1)]	EUR	1.11	1.42	1.90	1.58	**0.67**
Equity ratio	%	62.5	66.4	74.5	32.6	**39.0**
Return on equity	%	12.2	15.8	19.4	15.2	**6.1**
Return on capital employed	%	14.8	19.6	22.9	12.1	**8.3**

1) Adjusted for share issues.
** Board proposal to the AGM. According to the proposal, a dividend of EUR 0.62 per share will be paid.*
*** Board of Directors' proposal to the Annual General Meeting that the Board be authorised to decide at its discretion later in 2009, Stockmann's financial standing permitting, on the payment of a dividend of no more than EUR 0.38.*

Sales by quarter 2007–2008, EUR mill.

	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008
Department Store Division	281.2	261.0	275.5	400.4	275.9	306.4	264.8	371.8
Lindex*				68.1	138.3	183.8	174.9	175.6
Hobby Hall	55.6	46.0	45.9	58.9	47.4	48.3	41.6	53.7
Seppälä	34.6	43.5	45.4	51.2	35.7	45.2	50.1	51.5
Unallocated	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Group	371.7	350.7	367.0	578.8	497.5	583.9	531.5	652.8

**Lindex from 6 December 2007*

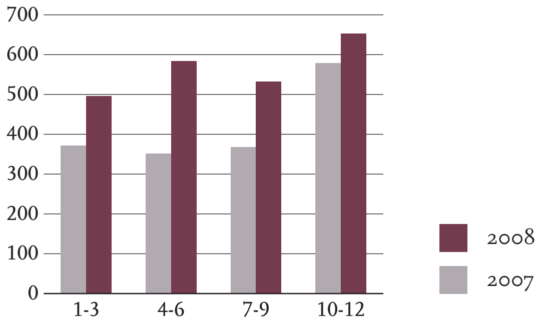
Operating profit by quarter 2007–2008, EUR mill.

	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008
Department Store Division	7.8	11.5	25.7	46.9	1.5	4.1	13.5	34.9
Lindex*				15.0	-1.2	23.8	15.7	20.3
Hobby Hall	1.5	-0.9	2.5	2.7	-2.1	0.7	0.7	1.6
Seppälä	0.8	5.8	5.5	8.6	-0.6	5.1	5.9	4.2
Unallocated	-1.8	-2.1	-1.1	-2.4	0.2	-2.2	-0.7	-3.3
Eliminations	0.0	-0.1	-0.5	0.0	-0.3	0.0	-0.5	0.8
Group	8.2	14.1	32.1	70.8	-2.5	31.4	34.6	58.4

** Lindex from 6 December 2007*

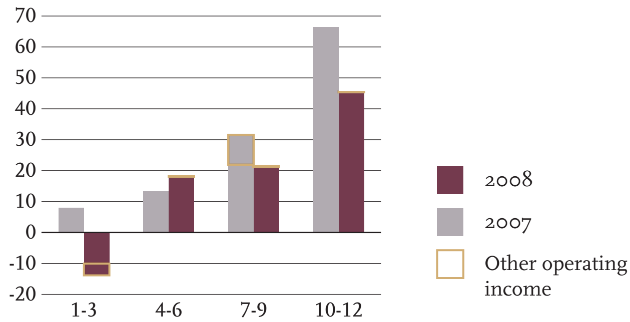
SALES BY QUARTER 2007-2008

EUR mill.



PROFIT BEFORE TAXES BY QUARTER 2007-2008

EUR mill.



Divisions in short

Department Store Division

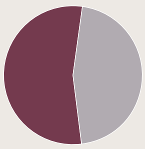
Maisa Romanainen

Offers a remarkably broad and high-quality product range and excellent customer service and expertise in a high-grade and international shopping ambience.

- **Finland:** 7 department stores, 7 Academic Bookstores, 1 Outlet store, 4 Zara stores, 15 Stockmann Beauty stores
- **Russia:** 4 department stores, 1 Outlet store, 1 speciality store, 18 Bestseller stores, 7 Nike stores
- **Estonia:** one department store
- **Latvia:** one department store

SHARE OF STOCKMANN'S SALES

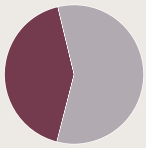
EUR 1 218.9 million



54%

SHARE OF STOCKMANN'S OPERATING PROFIT

EUR 54.0 million



42%

Lindex

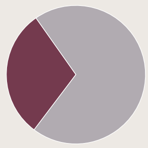
Göran Bille

Lindex offers affordable inspiring fashion. 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.

- **Sweden:** 195 stores
- **Norway:** 93 stores
- **Finland:** 53 stores
- **Estonia:** 5 stores
- **Latvia:** 7 stores
- **Lithuania:** 4 stores
- **Czech Republic:** 3 stores
- **Russia:** 1 store
- **Saudi Arabia:** 5 franchising stores

SHARE OF STOCKMANN'S SALES

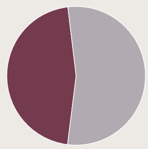
EUR 672.5 million



30%

SHARE OF STOCKMANN'S OPERATING PROFIT

EUR 58.7 million



46%

Hobby Hall

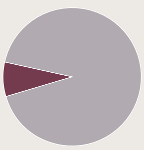
Raija-Leena Söderholm

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 sales, an online store

SHARE OF STOCKMANN'S SALES

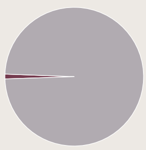
EUR 191.0 million



8%

SHARE OF STOCKMANN'S OPERATING PROFIT

EUR 0.8 million



1%

Seppälä

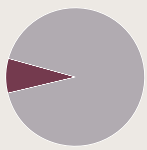
Terhi Okkonen

Seppälä is a fashion store chain selling clothing, footwear, accessories and cosmetics for women, men and children. All collections are under the Seppälä brand and are the work of the company's own designers. Seppälä's appeal lies in its fast-changing collections and ability to offer fashion at reasonable prices.

- **Finland:** 132 stores
- **Russia:** 34 stores
- **Estonia:** 18 stores
- **Latvia:** 9 stores
- **Lithuania:** 9 stores
- **Ukraine:** 1 store

SHARE OF STOCKMANN'S SALES

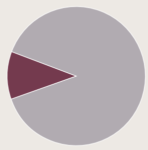
EUR 182.6 million



8%

SHARE OF STOCKMANN'S OPERATING PROFIT

EUR 14.6 million



11%

Major events in 2008

January

- Lindex opened a new distribution centre in Gothenburg, Sweden, which will boost the company's operating efficiency. The distribution centre has operated at full capacity since spring 2008.
- The Federation of Finnish Textile and Clothing Industries presented the Finnish Fashion Act of the Year award to Seppälä for the Supermodel of My Own Life concept.

Lindex's new state-of-the-art distribution centre has reduced the company's logistics costs.

March

- Stockmann introduced its Loyal Customer MasterCard credit card in Russia in cooperation with Citibank.
- Seppälä launched its own Loyal Customer system in Finland. The Seppälä Club already has more than 300 000 members.
- The Annual General Meeting of 18 March 2008 decided to grant share options, without consideration, to Loyal Customers whose registered purchases at Stockmann Group companies, together with purchases made on parallel cards for the same account, amount to at least EUR 6 000 in the two-year period 2008–2009.

April

- In Finland, Stockmann relaunched its Loyal Customer Card with a credit facility as an international MasterCard credit card. The relaunch of the card was based on an agreement between Stockmann and Nordea to transfer the financing of Loyal Customer accounts to Nordea.

May

- In the Helsinki department store, the first completely new premises under the enlargement and transformation project were completed on the sixth floor. New premises were also opened on the eighth floor in November. The work is scheduled for completion in stages by the end of 2010. Following the enlargement, the department store will have a total of about 50 000 square metres of retail space.
- Despite the ruling of the International Commercial Arbitration Court in Moscow in favour of Stockmann in the lease dispute concerning Stockmann's Smolenskaya department store in the centre of the city, the lessors cut off power to the department store. Because of the lessors' illegal action, Stockmann was forced to close the department store as of 13 May 2008. Stockmann has initiated legal action against the lessors, including a claim for substantial damages.

The stylish new customer service area on the eighth floor of the Helsinki department store.

June

- On 18 June 2008, Stockmann's Board of Directors confirmed the Group's strategic guidelines and financial targets for the next five years. The Group's goal is to achieve annual growth in excess of the market average in all its market areas. The aim is also to attain an operating profit margin of 12 per cent and a return on capital employed of 20 per cent by the end of the strategy period in 2013. A further strategic goal is to achieve an equity ratio of at least 40 per cent. The dividend policy remains unchanged: the aim is to distribute in dividends more than half of the profit derived from mainline operations. The financing required to grow operations is nevertheless taken into account in determining the dividend.
- On 23 June 2008, Stockmann carried out a EUR 137.4 million share issue targeted at institutional investors. The proceeds from the share issue were used to repay part of the long-term loan which Stockmann raised when it acquired Lindex.

August

- Lindex opened a store in St Petersburg, its first in Russia. It intends to open further stores in the country in the future.

September

- The Lindex chain expanded to Saudi Arabia when its franchising partner Delta International Establishment launched its first three stores there in September. During the year, a total of five Lindex stores was opened in Saudi Arabia. The goal is to expand the network of stores in Saudi Arabia and to open Lindex stores in other Middle Eastern countries, too.
- Hobby Hall's head office moved to new leased premises in Helsinki's Oulunkylä district.

As is traditional, the cornerstone for the Nevsky Centre shopping centre in St Petersburg incorporated a time capsule, and this was put in place by Tapio Müller from Pöyry CM, which is in charge of the project's management.

October

- The cornerstone of Stockmann's Nevsky Centre shopping centre, which is being built in the heart of St Petersburg, was laid on 17 October 2008. The complex will have a gross floor area of about 100 000 square metres, of which some 50 000 square metres will be retail and office space. A Stockmann department store with about 20 000 square metres of retail space has been planned for the shopping centre, along with other retail stores, office premises and an underground car park. According to the current timetable, the building will be completed in summer 2010, and commercial operations are scheduled to start before the end of 2010.
- On 26 October 2008, Seppälä opened its first store in Ukraine, in Kharkov, which is a city of more than a million people in the eastern part of the country. With the addition of Ukraine, Seppälä now operates in six countries – and the Stockmann Group in ten countries.

Seppälä's two-hundredth store, ready to open its doors. Left to right: store manager Maarit Ristimäki, sales staff Sanna Pihlajamäki and Virpi Mäkilä, and the 'mentor' of the new store, Oili Rantala.

November

- On 6 November 2008, Maisa Romanainen (M.Sc. Econ.) was appointed director of the Stockmann Group's Department Store Division, the Group's Executive Vice President and member of the Group's Management Committee. She was previously the director of Stockmann department stores in Finland and the Baltic countries. CFO Pekka Vähähyyppä was appointed to the other of the Group's two Executive Vice President posts.
- On 13 November 2008, Seppälä opened its 200th store, in Vaasa, Finland. By the end of the year, the total number of Seppälä stores rose to 203, located in six different market areas.
- The new Stockmann Loyal Customer MasterCard credit cards, based on an agreement between Nordea and Stockmann, were introduced in Latvia, where Stockmann has not previously had a Loyal Customer Card with a credit facility.

Global financial crisis will affect the timing of our growth strategy

The year 2008 turned out to be very different from what we had expected. The economic problems that began with the US financial crisis spread to the real economy in late summer and early autumn, causing an unprecedentedly rapid economic downturn. This in turn had a clear impact on consumer behaviour, which was particularly evident in the Nordic and Baltic markets. Even though the financial crisis hit the Russian economy hard in the autumn, consumer demand there continued to grow substantially right up to the end of the year. After the rapid devaluation of the rouble, however, the effects of the crisis began to be felt by Russian consumers as well, weakening their purchasing power.

Stockmann's international expansion gained momentum with the acquisition of Lindex at the end of 2007. The Stockmann Group now has over 16 000 employees in fifteen countries (including those with only a purchasing office), and over 600 stores across ten different countries. The addition of Lindex also brought a substantial increase in the Group's sales. Overall sales grew by 36 per cent, totalling about EUR 2.27 billion. The proportion of sales generated outside Finland rose to almost half of the total.

Earnings affected by weakened demand, growth in financing expenses and non-recurring items

Sluggish consumer demand had an adverse impact on the Group's earnings particularly in the latter part of the year. Even though operating profit came close to reaching the 2007 level thanks to the addition of Lindex, the increase in financing expenses and certain non-recurring items resulted in a figure of EUR 71.7 million for profit before taxes, which was clearly short of the previous year's total. The largest non-recurring item was a considerable loss as a result of the closure of the Smolenskaya department store in Moscow. The department store had to be closed because of the unlawful activities of the lessors, which were in breach of the lease agreement. The legal proceedings, through which Stockmann is claiming damages from the lessors, are still pending in the International Commercial Arbitration Court (ICAC) in Moscow.

Net financing expenses grew by about EUR 44.4 million, mainly the result of the Lindex acquisition. The Group renegotiated its financing towards the end of the year, securing a long-term financing package. As a result of the billion euro loan financing package agreed with several parties and the lower interest rate, the Group's financing expenses will decrease significantly in 2009. The financing arrangement will also enable the Group to complete its key investment projects and to finance its day-to-day operations during the next two years, when capital expenditure will be at its highest.

Each of the Group's divisions posted lower earnings than in the previous year, although the earnings of the Department Store Division, Lindex and Seppälä remained at a good level. Hobby Hall, however, suffering from a sharp drop in consumer electronics sales in particular, saw its earnings fall by more than the other divisions, though it too remained profitable. A reorganization will take place within the Group at the start of 2010, whereby Hobby Hall will be combined with the Department Store Division to become part of Stockmann's multichannel strategy that is under development, with the aim of increasing the role of distance retailing. Hobby Hall will continue as an independent division until the end of 2009, focusing on greatly improving its profitability and preparing for the integration process which is set to take place at the start of next year.

Changes in the world economy will influence our long-term strategy

Owing to the global financial crisis, the prospects for growth in the next few years now look completely different from what was envisioned in the summer, when the Group's five-year strategy was defined. This means that Stockmann will have to reassess the viability of its strategy, which will be done through our normal processes during the spring and early summer. It is already clear that all of the investments planned for the strategy period cannot be carried out, at least not within their original timetable. The main investments in the coming years will include completion of the enlargement and renovation work being carried out at the Helsinki department store and completion of the Nevsky Centre shopping centre and department store project in the heart of St Petersburg. When choosing other investments, Stockmann will focus on those that will bring the best cash flow in the short term.

Among the Group's long-term targets for key figures, the equity ratio, at 39.0 per cent, improved the most and came close to the long-term target of over 40 per cent. This was mostly a result of the share issue targeted at Finnish and international investors which Stockmann carried out in the summer. The share issue increased the company's capital by EUR 137 million, which was used to repay part of the debt incurred from the Lindex acquisition. The sharp decline of the Swedish krona caused by the financial crisis has also decreased the amount of krona-denominated debt taken to finance the acquisition, which in turn has had a positive impact on the balance sheet. The return on capital employed fell to 8.3 per cent, and the operating profit margin was 6.5 per cent.

Total dividend depends on duration of financial crisis

Stockmann has traditionally been known for its shareholder-friendly dividend payout policy, which it continues to adhere to also in economic downturns. However, provision for a rapid change in circumstances has also been allowed in the dividend proposal. Stockmann's earnings per share fell exceptionally much due to the fact that the company had to record in its income statement an increase in deferred tax liabilities on the internal foreign exchange gains from the weakening of the Swedish krona. This will nevertheless have no effect on cash flow. The Board of Directors proposes that a dividend

of EUR 0.62 per share be paid for 2008 and that the Annual General Meeting also authorise the Board to decide later in the year on the payment of a dividend of no more than EUR 0.38, the company's financial standing permitting.

In line with the general trend in equity markets, Stockmann's market capitalization decreased considerably, amounting to EUR 611.6 million at the end of the year.

Due to the plunge of the equity markets, the share option programmes intended for Stockmann's Loyal Customers are not financially appealing for the time being. The objective of these programmes was to reward active Loyal Customers, and since this objective is not being met with the current share prices, the Board of Directors will propose that the price of Loyal Customer share options granted on the basis of the total purchases made in 2008 and 2009 be adjusted to correspond to the average price of the shares in February prior to the Annual General Meeting. However, the earlier share option programme, under which share options have already been subscribed, will for the time being remain unaltered, as lowering the subscription price would require a substantial cost entry in the income statement under IFRS. On behalf of the Board of Directors and the company's operative management, I can promise that we will offer those who subscribed these options a good commercial benefit if the option subscriptions cannot be converted to shares in a financially attractive way at the end of the subscription period.

Outlook for 2009

In the current environment, making forecasts for 2009 is extremely difficult. It is likely that all of Stockmann's market areas will experience an economic slowdown and negative growth. In Russia, the trend in the economy is to a great extent dependent on the price of energy.

Stockmann has initiated measures for adapting to lower demand. As a result, the company's purchasing function has considerably cut its advance orders and cost-efficiency will be maintained in all operations. We must also be prepared to tamper with the structure of our operations, if necessary, with the objective of maintaining the profitability of operations at a good level during 2009.

I would like to thank all our customers for the trust they have continued to show in us, and to extend my gratitude to the Group's entire personnel for their great work during 2008.

Helsinki, 13 February 2009

Hannu Penttilä

Christoffer Taxell

Erkki Etola

Kaj-Gustaf Bergh

Eva Liljeblom

Kari Niemistö

Carola Teir-Lehtinen

Henry Wiklund

Robin Sandelin

Rita Löwenhild

Board of Directors and auditors

CHAIRMAN

Christoffer Taxell*
(b. 1948), LL.M.
Member of the Board since 1985, Chairman of the Board since 2007.
Chairman of the Board's Appointments and Compensation Committee.
SHARES: A 2 250, B 6 680

VICE CHAIRMAN

Erkki Etola**
(b. 1945), M.Sc.(Eng.), managing director, Oy Etola Ab.
Member of the Board since 1981, Vice Chairman of the Board since 1992.
Member of the Board's Appointments and Compensation Committee.
SHARES: A 1 891 676, B 996 445

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 2 839

Eva Liljeblom**
(b. 1958), D.Sc.(Econ.), professor, Svenska Handelshögskolan.
Member of the Board since 2000.
Member of the Board's Appointments and Compensation Committee.
SHARES: A 243, B 4 117

Kari Niemistö*
(b. 1962), M.Sc.(Econ.), managing director, Selective Investor Oy Ab.
Member of the Board since 1998.
SHARES: A 3 001 876, B 968 569

Carola Teir-Lehtinen**
(b. 1952), M.Sc., Corporate Vice President, Sustainable Development, Fortum Corporation.
Member of the Board since 2004.
SHARES: B 3 683

Henry Wiklund*
(b. 1948), M.Sc.(Econ.)
Member of the Board since 1993.
Member of the Board's Appointments and Compensation Committee.
SHARES: A 720, B 5 090

PERSONNEL REPRESENTATIVES ON THE BOARD

1 April 2008 – 31 March 2009
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.

Robin Sandelin
(b. 1956), buyer, Department Store Division. Personnel representative on the Board, elected by Stockmann's senior salaried employees.

Rita Löwenhild
(b. 1952), chief shop steward, Department Store Division. Personnel representative on the Board, elected by the Group Council.

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

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.

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

Hannu Penttilä

Pekka Vähähyyppä

Maisa Romanainen

Göran Bille

Raija-Leena Söderholm

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 8 000, 2006C 13 600, 2006D 13 600

Pekka Vähähyyppä
(b. 1960), M.Sc.(Econ.), executive vice president, CFO.
Joined Stockmann's 2000, at the present position since 2008.
Shares: B 5 264
Options: 2006A 8 000, 2006B 4 000, 2006C 6 800, 2006D 6 800

Maisa Romanainen
(b. 1967), M.Sc.(Econ.), executive vice president with responsibility for the Department Store Division.
Joined Stockmann's 1996, at the present position since 2008.
Shares: –
Options: 2006A 5 000, 2006B 2 500, 2006C 4 250, 2006D 4 250

Göran Bille
(b. 1955), B.Sc.(Econ.), CEO, Lindex.
Joined Stockmann's 2007, at the present position since 2004.
Shares: B 12 000
Options: 2006A 4 000, 2006B 2 000, 2006C 6 800, 2006D 6 800

Raija-Leena Söderholm
(b. 1957), construction engineer, managing director, Hobby Hall.
Joined Stockmann's 2001, at the present position since 2009.
Shares: B 120
Options: 2006A 5 000, 2006B 2 500, 2006C 4 250, 2006D 4 250

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 4 000, 2006C 6 800, 2006D 6 800

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 4 286
Options: 2006A 8 000, 2006B 4 000, 2006C 6 800, 2006D 6 800

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 4 000, 2006C 6 800, 2006D 6 800

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 31 December 2008, exclusive of the 2006 Loyal Customer options, a total number of 454 of which were in the ownership of the members of the Board and a total number of 992 in the ownership of the members of the Management Committee.

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 57–61 and 63 of the Annual Report.

Department Store Division

Stockmann's Department Store Division has seven department stores in Finland, four in Russia and one each in Estonia and Latvia. The division also includes Academic Bookstores, Stockmann Beauty and Zara stores in Finland, and Bestseller and Nike stores in Russia. The cornerstone of the division's business is the robust Stockmann brand, which is based on a broad and high-quality product range, an international ambience, an upscale shopping environment and excellent customer service.

Loyal Customers are the most important

The Department Store Division's sales were EUR 1 218.9 million, on a par with the previous year. The division generated a revenue of EUR 1 025.9 million and an operating profit of EUR 54.0 million. Despite the growth in sales, operating profit fell by EUR 37.8 million, or 41 per cent, due to increased costs and the non-recurring expenses resulting from the closure of the Smolenskaya department store in Moscow.

Sales by the department stores, Academic Bookstores and the speciality chain Stockmann Beauty in Finland amounted to EUR 847.9 million, a decrease of EUR 3.2 million, or 0.4 per cent. The combined sales of the department stores in Tallinn and Riga grew by 4 per cent despite the challenging market and the competitive situation, reaching a total of EUR 130.8 million. Examined on a comparable basis with the previous year's figures, the combined sales of the three department stores in operation in Russia showed excellent growth, up 30 per cent. However, the total combined sales for

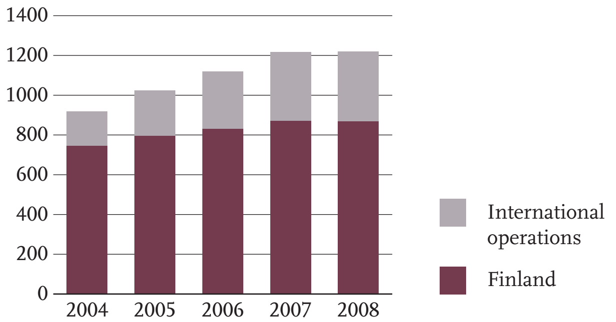
KEY FIGURES

Department Store Division, EUR mill.	2008	2007	change %
Sales	**1 218.9**	1 218.1	0
Proportion of Group sales, %	**53.8**	73.0	
Operating profit*	**54.0**	91.8	-41
Return on capital employed, %	**9.6**	18.1	
Capital employed	**563.8**	506.1	11
Investments	**146.0**	111.5	
Staff 31 December	**8 945**	9 545	-6
Sales area, square metres	**192 395**	190 708	

* *Including other operating income*

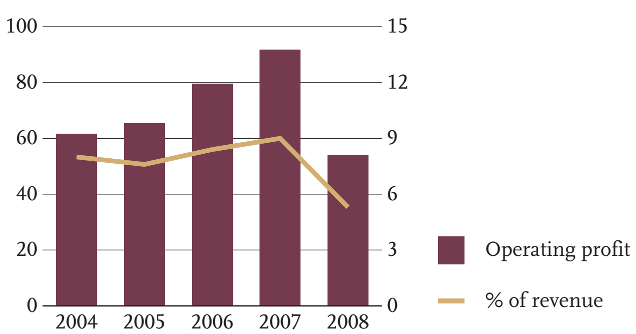
DEVELOPMENT OF THE DEPARTMENT STORE DIVISION'S SALES 2004-2008

EUR mill.



DEVELOPMENT OF THE DEPARTMENT STORE DIVISION'S OPERATING PROFIT 2004-2008

EUR mill.



all of Stockmann's department stores in Russia were down by EUR 9.2 million, or 5 per cent, due to the closing of the Smolenskaya department store in Moscow.

The Department Store Division's primary economic objectives are a good sales performance, an improvement in the gross margin, strict cost management and ensuring the efficient employment of capital. The uncertain economic situation and growth in salary and wage costs and maintenance expenses posed new challenges in 2008 for the development of the business in all the countries where the division has operations. In particular, the considerable inflation rate in the Baltic countries and Russia has led to measures for improving the efficiency of operations. The Department Store Division's overall expenses grew by 9 per cent. In order to improve profitability, the Department Store Division focused on ensuring good sales performance, stock management and even more rigorous cost control. The sales efficiency measures taken in the latter part of the year in the face of tough competition led to a slight drop in the gross margin, which had been on an upward track in the early part of the year. The gross margin was during the year 41.0 per cent, compared with 41.7 per cent in the previous year.

The return on capital employed fell to 9.6 per cent. This was due to the decline in operating profit and the effect of the ongoing large-scale investment programme in increasing the amount of capital employed.

Strong position in Finland and the Baltic countries

Stockmann has been able to maintain its market position in Finland and the Baltic countries in the constantly stiffening competitive environment and the uncertain economic situation. At the start of 2008, the Department Store Division reshaped its sales organization to better correspond to the market circumstances in different countries. The department stores in Finland and the Baltic countries now form a joint sales organization, and the Russian department stores also have their own separate organization. The Finnish and Baltic department stores all operate in similar markets in the largest cities of these countries, and their operating environments are similar. Stockmann's focus in Finland and the Baltic countries is on continually developing its existing operations, whereas the focus in Russia remains on expanding the company's business.

While the number of customers in the department stores in Finland was more or less at the previous year's level, sales were up as a result of an increase in the size of the average purchase. The average purchase in the department stores in the Baltic countries has also grown considerably, with the volume of customers remaining at about the previous year's level while sales were up once more.

> *After the enlargement, the Helsinki department store will have a total of about 50 000 square metres of retail space.*

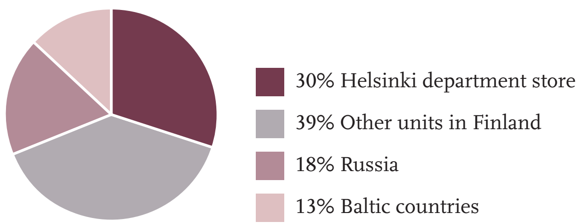
In 2008, the Department Store Division put strong emphasis on giving its stores a new look and enhancing the concepts of different merchandise areas. The revised concepts will be unveiled in stages in all markets as departments are modified or enlarged and new department stores opened. The division will continue with its development work.

In accordance with the company's current strategic policies, no new Stockmann department stores will be opened in Finland in the foreseeable future. Instead, further improvements will continue to be made at existing department stores and their floor space expanded wherever possible.

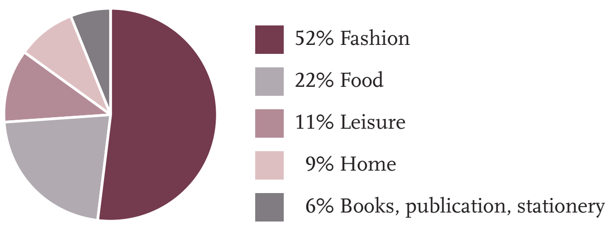
Stockmann has signed a preliminary agreement for the opening of a department store in Vilnius, the capital of Lithuania.

The Department Store Division has 15 Stockmann Beauty stores in Finland.

DISTRIBUTION OF THE DEPARTMENT STORE DIVISION'S SALES BY UNIT 2008



DISTRIBUTION OF THE DEPARTMENT STORE DIVISION'S SALES BY MERCHANDISE SECTOR 2008



'All-time Stockmann' project moves ahead

A major enlargement and transformation programme was launched in 2006 at the department store in the centre of Helsinki. The 'All-time Stockmann' project is expected to be completed in phases up to the end of 2010. The new and refurbished premises will, accordingly, be opened in stages. The new underground logistics areas will begin serving the department store's transport and deliveries as early as spring 2009, and a 600-vehicle car park under Mannerheimintie will be opened in summer 2009. An extensive restaurant world will also be opened on the eighth floor and a beauty world on the seventh floor of the store during 2009. The renewed and enlarged Delicatessen will be opened in 2010.

The project constitutes the largest single real estate capital expenditure ever made by the Stockmann Group, adding almost 10 000 square metres of new retail space to the department store, whilst providing modern logistics solutions and new staff facilities. The enlargement project will offer more convenient shopping for customers in the department store and will boost sales substantially. After the enlargement, the Helsinki department store will have a 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 cost of the enlargement part of the project is estimated to be about EUR 250 million, in addition to which significant repair and renovation work has been carried out in the old property.

Vigorous development in Russia

Stockmann has taken the strategic decision to open department stores in other Russian million-plus cities in addition to Moscow and St Petersburg. With the uncertainty surrounding the Russian real estate market, the timing of these projects

The autumn 'city campaign' turned its spotlight on Milan, the capital of Italian fashion and design. The stylish campaign, launched in cooperation with the Italian government, was visible throughout the department stores.

is likely to be postponed for a considerable period. The Russian market is set to experience major structural changes as a result of the financial crisis. Amid these changes, foreign investors will be appreciated, putting reliable companies such as Stockmann in a position to succeed in the new market situation.

The three Stockmann department stores located in Mega shopping centres in Moscow performed excellently in terms of sales and earnings in 2008, and their customer volume grew by 17 per cent. The Crazy Days campaign has increased its popularity in Russia each year. This year, the Crazy Days racked up another sales record, as the three operating Stockmann department stores in Moscow sold more during the campaign than the four stores in autumn 2007. The profitability trend of the department stores in Moscow was also in line with expectations.

Smolenskaya department store was closed in May

Stockmann was forced to close its department store in the Smolensky Passage shopping centre in Moscow city centre in May due to the illegal activities of its lessors. Despite the fact that the International Commercial Arbitration Court of Moscow (ICAC) ruled in favour of Stockmann in the dispute over the lease agreement for the Smolenskaya department store, they cut off the supply of electricity to the Stockmann department store, making it impossible to keep it open for business.

Stockmann offered the staff of the Smolenskaya store jobs at the other department stores in Moscow. The adverse impact on the Department Store Division's earnings as a result of the costs arising from the closure and the cost entries on assets amounted to EUR 14 million. Stockmann has initiated legal action against the lessors as a consequence of their illegal acts and the measures taken in violation of the decisions of the International Commercial Arbitration Court in Moscow (ICAC).

New department store in Moscow

In February 2009, Stockmann opened a department store in leased premises in the new Metropolis shopping centre near Moscow city centre. The shopping centre, which has a total area of 100 000 square metres, and the adjacent office complex for 20 000 employees boast an excellent commercial location and good traffic connections. Stockmann's capital expenditure on the new department store, which has a total area of about 8 000 square metres, is approximately

The Crazy Days campaign was once again a huge success. In the Russian department stores, for example, all previous records were broken.

The latest of Stockmann's department stores in Moscow is in the Metropolis shopping centre close to the city centre. It opened its doors in February 2009.

In November, Nobel Peace Prize winner Martti Ahtisaari was interviewed at the Academic Bookstore's Meeting Point by Katri Merikallio, author of the book "Making Peace – Ahtisaari and Aceh".

EUR 12 million. Stockmann has also signed preliminary agreements for the opening of department stores in the Rostokino shopping centre in north Moscow as well as the opening of the first department store outside Moscow and St Petersburg, in the Greenwich shopping centre in Ekaterinburg. As a result of the financial crisis, the implementation and timing of these projects, too, will have to be reassessed.

Construction progress in the St Petersburg project

Stockmann's position in the retail market of St Petersburg, Europe's fourth largest city, will improve considerably when the department store and shopping centre are opened right in the heart of the city. In 2006, Stockmann purchased a commercial plot of approximately 10 000 square metres on Nevsky Prospect, St Petersburg's high street. The plot is located next to the Vosstaniya Square metro station and in the immediate vicinity of the Moscow railway station. On this plot, Stockmann will erect the Nevsky Centre shopping centre that will have about 100 000 square metres of gross floor space, of which about 50 000 square metres will be for stores and offices.

A full-scale Stockmann department store with about 20 000 square metres of retail space has been planned for the shopping centre, along with other retail stores, office premises and an underground car park. The total investment is estimated at approximately EUR 185 million. The project progressed according to plan during 2008, and some of the shopping centre's retail space and office premises have already been leased out. The final building permit for the site was obtained at the start of March, and construction work is now under way. The building's foundation stone was laid on 17 October 2008. According to the present timetable, construction work will be completed during summer 2010, with commercial operations commencing towards the end of the same year.

Franchising operations aim for controlled expansion

Cooperation based on agreements with selected partners in Russia is part of Stockmann's expansion strategy, the objective of which is to open Bestseller and Nike stores in the best commercial locations in the country's largest cities.

Stockmann opened one Bestseller and two Nike stores in St Petersburg in 2008. The Department Store Division's franchising operations consist of 18 Bestseller stores and seven Nike stores operating in Russia and four Zara stores operating in Finland.

International MasterCards for Loyal Customers

The credit facilities of Stockmann's credit-line Loyal Customer Cards converged with those of the international Nordea MasterCard credit card during 2008 in Finland as well as in Latvia, where Stockmann had not previously offered a Loyal Customer Card with a credit facility. In Estonia, the new Nordea MasterCard was launched in February 2009. Stockmann's MasterCard Loyal Customer Card with a credit facility was introduced to the Russian market in March 2008 in cooperation with Citibank. Stockmann had not previously had a Loyal Customer Card with a credit facility in Russia either.

All the customer benefits of the present credit-line Loyal Customer Cards were retained in full, with more benefits to come in the future. In addition, Loyal Customers gained access to the diverse array of benefits obtainable with the international payment card. Prime customers still 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.

The number of benefits offered to Loyal Customers was increased considerably.

In addition to offering versatile methods of payment and a wide range of benefits, the objective of the card reform was to change over in good time to the chip-and-PIN payment and credit cards required in the Single Euro Payments Area (SEPA). The extensive changeover succeeded according to expectations. Television advertising was used in all market areas to support the successful campaign.

Loyal Customer programme enhanced

Stockmann's objective right from the company's inception has been to create loyal customer relationships. Loyal Customers have always been the cornerstone of the company's success. Stockmann pioneered customer loyalty systems in Finland when it started its present Loyal Customer scheme in 1986. Over the years, Stockmann has fostered a close relationship with Loyal Customers by mailing them a monthly Loyal Customer catalogue and offering them interesting and topical benefits. There are now already 1.7 million Loyal Customers in Finland, Russia and the Baltic countries.

Stockmann is developing its Loyal Customer Programme in order to continue to be able to reward its Loyal Customers. The number of benefits offered to Loyal Customers was increased considerably towards the end of 2008. The company will continue to enhance these benefits in 2009, with Exclusive Loyal Customers in particular being offered new benefits in the Delicatessen departments, among other areas.

Currently, there are two share option programmes for Stockmann's Loyal Customers in Finland, which enable active Loyal Customers to subscribe shares in the company. The programme, launched in 2006, entitles customers to buy Stockmann shares on the basis of the purchases they made in 2006 and 2007, while a newer programme enables them to buy shares on the basis of purchases made in 2008 and 2009. Currently the programmes are not financially attractive due to the plunge in share prices, and therefore the Board will propose to the Annual General Meeting that the price of shares that can be subscribed on the basis of the new programme be adjusted to correspond to the current situation. The subscription price for shares under the older programme will remain the same, but we will offer a valuable commercial benefit to those who subscribed these shares if their subscriptions cannot be converted to shares in a financially viable way by the end of the subscription period.

Focus on food quality assurance

Stockmann has for a long time carried out its own strict food quality assurance measures, working in cooperation with the authorities. The high quality and freshness of food is a matter of pride for Stockmann's Delicatessens.

During 2008, Stockmann initiated extensive measures for ensuring that its Delicatessens continue to live up to their good reputation and that customers can rely on the quality and freshness of the food they buy from Stockmann. The Department Store Division updated numerous processes and guidelines and started an internal auditing programme for its food departments. Quality Assistants were hired in department stores to support the implementation of processes and guidelines in the units. The skills and knowledge level of new employees will be enhanced in the future with the help of an expanded training programme, which were started up using additional resources acquired towards the end of the year.

A challenging year ahead

The uncertainty in the market and the effects of this on consumer demand will affect operations in 2009 in all the market areas where Stockmann department stores are located. The strong Loyal Customer programme, excellent customer service, high-quality Delicatessens and a versatile product range of international brands provide a good basis for maintaining the level of sales in Finland and the Baltic countries and ensuring growth in Russia. In addition to continually improving the level of customer service, Stockmann will invest in offering various additional services to both Loyal Customers and the entire clientele. Among merchandise areas, development work will focus especially on the Delicatessens, where competitive pricing and a high-quality product selection are essential to success. Stockmann's own fashion and household brands will be further strengthened and enhanced. The Group's purchasing offices in the Far East and Turkey will provide new opportunities for this.

The use of electronic channels will be increased during 2009 as an important part of customer communications. In accordance with a decision taken at the turn of the year, Stockmann will invest in 2009 in launching electronic retailing by developing Hobby Hall's operations and enabling them to be merged with the Department Store Division's operations as a profitable business as from the beginning of 2010.

Special attention was paid to cost-efficiency during 2008, and measures already under way will be further intensified. The company also devoted a considerable deal of effort to the management of stocks during 2008 in anticipation of future changes in the market situation. Consequently, stocks were at an excellent starting level at the turn of the year, being lower than the previous year's level in all countries where the division has operations. The aim in 2009 is that the profit from operations and the level of profitability will remain good despite the difficult operating environment.

Lindex

Lindex is one of the leading fashion chains in northern Europe. Operating 366 stores in nine countries, its business concept is to offer affordable inspiring fashion to style-conscious women.

Focus on expansion

The strong upward trend in clothing industry sales of the past few years came to a halt in 2008. Clothes sales dropped in Lindex's principal market areas – Sweden, Norway and Finland – particularly in the latter half of the year. In Lindex's biggest market, Sweden, the sales of clothes fell by 4.5 per cent. Sales also slowed down significantly in the Baltic countries. The drop in clothes sales is due to the general economic downturn and the financial crisis.

Competition in the retailing sector became stiffer during the year particularly in Sweden and Finland. A number of new international companies entered the market, and familiar competitors opened stores in small municipalities where Lindex used to be the only chain retailer.

Larger share of slumping market

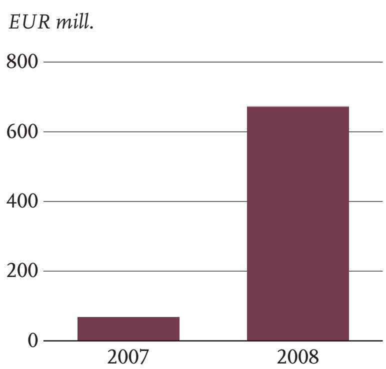
The Lindex Group's sales in 2008 totalled EUR 672.5 million and its revenue EUR 540.2 million. As with the market in

KEY FIGURES

Lindex, EUR mill.*	2008	2007
Sales	**672.5**	68.1
Proportion of Group Sales, %	**29.7**	4.1
Operating profit**	**58.7**	15.0
Return on capital employed, %	**6.6**	22.6
Capital employed	**896,0**	68.6
Investments	**25.2**	853.1
Staff 31 December	**4 365**	4 644
Number of stores***	**366**	346

** Lindex as from 6 December 2007*
*** Including other operating income*
**** 5 of them are Lindex's franchising stores*

DEVELOPMENT OF LINDEX'S SALES 2007-2008*



*Sales recorded for the Stockmann Group since 6 December 2007

DEVELOPMENT OF LINDEX'S OPERATING PROFIT 2007-2008*

*Operating profit recorded for the Stockmann Group since 6 December 2007

general, the trend in Lindex's sales was uneven, and full-year sales fell slightly. Nevertheless, the company outperformed the market in its largest market, Sweden. In Finland, both sales and market share shrank due to tougher competition. Lindex's stores in the Czech Republic continued to perform well, particularly in the latter part of the year.

Lindex's operating profit amounted to EUR 58.7 million, which, in Swedish krona terms, was its best ever. The company's new distribution centre, put into service at the start of the year, has not only functioned very smoothly but has also reduced logistics costs. The company's gross margin grew and reached an all-time-high, thanks to the lower logistics costs and the fact that purchase prices were kept low and discount sales held at reasonable levels.

The effects of risks such as the economic downturn and the financial crisis are difficult to estimate, but naturally they will reduce consumption. Lindex's programme of expansion will, however, open up new opportunities at the same time. Rents at new business locations are expected to drop, and many attractive commercial locations will be freed up. Seen as a stable international employer, Lindex has better opportunities than others to keep and recruit skilled employees, particularly in emerging markets. The slowing down of inflation in the Baltic countries and Russia to a more normal level is also a positive trend for Lindex. The company therefore has a good opportunity to profit from the economic downturn.

Expansion into two new markets

Lindex's success is based on the combination of a strong fashion range and suitable prices. Its target group consists solely of women, and the company offers a variety of different fashion concepts in women's wear, lingerie, children's wear and cosmetics. The store concept is inspiring and feminine in its design.

During the year, 21 new Lindex stores were opened: two in the Czech Republic, four in the Baltic countries, three in Sweden, four in Norway and two in Finland. The company also opened stores in two new market areas.

In August, Lindex opened its first store in Russia, in the Atmosphera Shopping Centre in St Petersburg. The launch was a success and, if additional marketing expenses related to the start-up in a new market area are excluded from consideration, the store was profitable after only one month of operation. Thus it can be said that the Lindex concept is strong in the Russian market as well. The company aims to open more stores in Russia but this will be based on a careful selection of suitable shopping centres and commercial locations. Lindex plans to open about seven new stores in 2009 alone.

During the year, Lindex entered into a completely new form of business by signing a franchising agreement with Delta International, a Saudi Arabian company. The objective is to open around forty franchising stores in the Middle East within five years. Lindex's franchising partner will make the investments in the stores, recruit personnel and take full responsibility for retailing operations. Saudi Arabia was the first country where this model was applied, with five stores opened during the year. Lindex is extremely pleased with this cooperative venture. In addition to the stores to be opened in Saudi Arabia, Delta International plans to expand the Lindex chain into other Middle Eastern countries in 2009, opening stores in Egypt and the United Arab Emirates.

Store investments in Norway and Finland

Lindex invested considerably during the year in the modernization and improvement of its stores in Norway. The new look was very well received, with sales increasing substantially in the new stores. Lindex's modernized stores have clearly strengthened its brand in Norway.

Modernization of the stores in Finland will underpin Lindex's efforts to strengthen its brand and sales in the Finnish market. The modernization in Finland will be started during 2009. The experiences in Norway have proven the modernization of stores to be quite a profitable investment.

Active relationship with customers

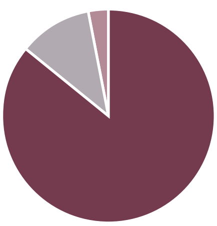
The Lindex Club has been in operation since 1995. Nowadays it is one of Lindex's best marketing channels and one of the Nordic countries' largest loyal customer clubs. Members in Sweden, Norway and Finland are sent regular reports on the latest fashion and information on special offers. The club enables Lindex to maintain an active relationship with its clientele and make suitable offers to the right customers. Information on shopping habits is gathered with each purchase, enabling offers to be adapted to different target groups and the effectiveness of various campaigns to be gauged. The club card can also be used as a debit and credit card in Lindex's stores in Sweden and Norway. In 2009, Lindex plans to develop direct marketing as one of its marketing channels in the Baltic countries, Russia and the Czech Republic.

The club enables Lindex to maintain an active relationship with its clientele and make suitable offers to the right customers.

Complete control over the flow of goods

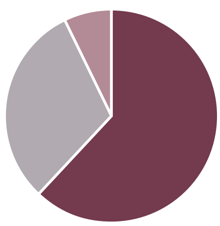
Lindex inaugurated its new distribution centre in 2008, thanks to which it now has control over the company's entire flow of goods. The changeover to using the company's own dedicated distribution centre has been very successful, with costs decreasing and efficiency improving already during

DISTRIBUTION OF LINDEX'S SALES BY GEOGRAPHICAL SEGMENT 2008



86% Sweden + Norway
11% Finland
3% Baltic countries, Czech Republic and Russia

DISTRIBUTION OF LINDEX'S SALES BY MERCHANDISE SECTOR 2008



62% Ladies' fashion
31% Children's fashion
7% Cosmetics

Lindex opened a store in St Petersburg, its first in Russia. The ceremonial cutting of the ribbon was performed by Lindex's country manager Maria Martynova (left), store manager Maria Fokina and CEO Göran Bille.

The remodelling of the stores in Norway continued. The flagship store opened its doors in Oslo in April.

The Lindex chain expanded into Saudi Arabia. A view inside the store in Jeddah.

2008. Lindex will continue to invest in boosting the efficiency of product distribution in the future.

New values strengthen the organization

During the year Lindex published the company's new values, in strict conformity with Stockmann's core values, with the aim of building a strong corporate culture where processes and decision-making chains are short. The values encourage employees to make their own decisions based on Lindex's strategies. Lindex put a lot of work into publishing and consolidating its values during the year in all the countries where it has operations.

Future outlook

In 2009, the main focus of Lindex's operations will be on expansion. The company estimates that it will open at least as many new stores as in 2008, that is 21, some of them in new market areas. New franchising markets will be in Egypt and the United Arab Emirates. Lindex has also signed an agreement for the opening of two stores in Slovakia in autumn 2009. There are also opportunities for expansion in many locations that do not yet have a Lindex store in the existing Nordic and Baltic markets.

The process of integration with the Stockmann Group will continue in 2009.

In Lindex's view, the situation in the consumer goods market will remain tough as the economic slump continues. Despite this, the outlook for the company appears favourable, and Lindex believes its operations are not particularly vulnerable thanks to its affordable pricing and broad product range. Lindex's range also includes segments that are less sensitive to economic trends, such as children's wear and lingerie. Usually large fashion chains have been able to strengthen their position during economic downturns. The company's objective is to achieve a like-for-like sales growth figure that is higher than general market growth in all market areas in 2009.

Hobby Hall

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

Year of active development

Hobby Hall's sales were EUR 191.0 million in 2008, down 7 per cent from 2007. Revenue was EUR 159.6 million. The global slowdown and the financial crisis reduced sales in all markets and tightened competition, as purchasing power declined and the overall market shrank. Sales slowed the most in the Baltic markets. There was a contraction in the overall market for consumer electronics, with prices dropping considerably. The company sold a much lower number of televisions and set-top boxes compared to the sales peak of 2007.

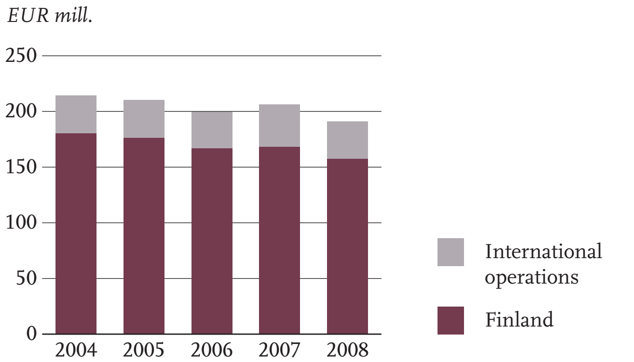
Hobby Hall succeeded in maintaining its market share in the tough competitive situation without compromising its margin. The relative gross margin improved, and the company was also able to reduce inventories from the previous year's level. Operating profit declined, amounting to EUR 0.8 million, as a result of a decrease in sales, an increase in fixed

KEY FIGURES

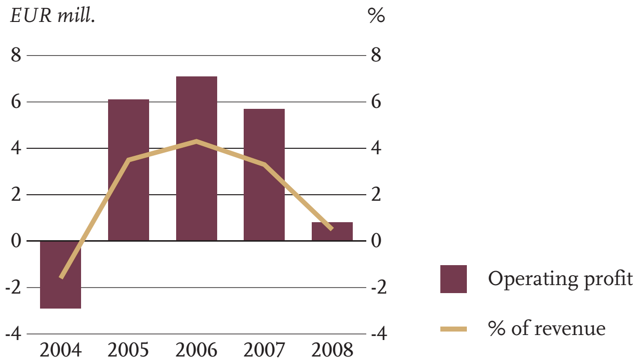
Hobby Hall, EUR mill.	2008	2007	change %
Sales	**191.0**	206.5	-7
Proportion of Group sales, %	**8.4**	12.4	
Operating profit*	**0.8**	5.7	-86
Return on capital employed, %	**1.0**	6.5	
Capital employed	**81.8**	88.1	-7
Investments	**3.1**	3.5	
Staff 31 December	**668**	671	0

* *Including other operating income*

DEVELOPMENT OF HOBBY HALL'S SALES 2004-2008



DEVELOPMENT OF HOBBY HALL'S OPERATING PROFIT 2004-2008



expenses and the losses made on operations in Russia. The strengthening of customer service processes increased personnel costs, and rising fuel prices pushed up product delivery costs. 2008 was the first complete year when the full effects of the costs of the new information systems introduced in 2007 were felt.

Market leader in four countries

Hobby Hall is the distance retailing market leader in Finland and the Baltic countries and is considered particularly by women to be the most interesting online store by a wide margin. Among new customers, the proportion of men is continuing to rise.

Hobby Hall's sales in Finland were EUR 157.4 million, down 7 per cent from the previous year.

The online store increased its share slightly in the Finnish distance retailing sector. 64 per cent of orders came via the online store, while the corresponding figure in the previous year was 62 per cent. The online store now accounts for as much as 74 per cent of new customers.

Hobby Hall has two stores in the Helsinki metropolitan area and their purpose is to support distance retailing.

Tallinn store moves to new premises

Sales in the Baltic countries totalled EUR 32.8, down 13 per cent from the previous year.

Online sales continued to account for a high proportion of total sales in Estonia and grew considerably in Latvia and Lithuania. As a proportion of Hobby Hall's total distance retail sales, online sales accounted for 40 per cent of the total in Estonia, 27 per cent in Latvia and 45 per cent in Lithuania. Half of all new customers in the Baltic countries are attracted through the online store.

The Tallinn store was reopened with a completely new look in the autumn in larger premises in the expanded Rocca Al Mare Shopping Centre. The new store has performed well in terms of sales.

Enhanced product range and improved operations

Hobby Hall renewed its clothing selection, introducing new brands for women and children. The Flo label offers stylish outfits for fashion-conscious women – for everyday use, special occasions, work and leisure. Klipper is a clothing label for young children.

Customers' opinions and wishes are constantly studied.

In after-sales service, a new system was introduced for monitoring customer care and support, enabling the company to improve its service. Customer service was also enhanced by modernising the product packaging process so that products from a single order can be more consistently grouped together in the same package and delivery.

The online store was given a new look during the year, and new technical features are scheduled for introduction in 2009.

In marketing, a new digital production system was introduced at the end of 2008. The project will considerably shorten production timetables and enable Hobby Hall to undertake campaigns more cost-efficiently and competitively.

Loyal customer communications came out top

According to a loyal customer barometer survey, Finnish customers found Hobby Hall's loyal customer communications the most interesting. Indeed, Hobby Hall's catalogues are one of the most widely read publications in Finland, reaching 1.4 million Finns.

Customers' opinions and wishes are constantly studied and the results obtained are utilised for the development of operations. In 2008, studies were conducted in each market area.

Move to new premises

At the close of the year, Hobby Hall employed 668 people, 14 per cent of whom worked abroad.

Training programmes focused in particular on leadership training aimed at supporting management work and extending the understanding of it, and on information technology training. Presentation, teamwork and language skills were also enhanced with training.

A workplace atmosphere survey was carried out in all countries of operation. The survey's results again showed an improvement.

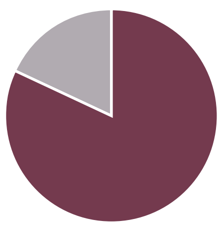
In September Hobby Hall's headquarters moved to new, modern leased premises in the district of Oulunkylä in Helsinki. The new premises have achieved a substantial improvement in internal interaction and communications.

Strategic changes

Consolidation of Hobby Hall's position in Russia proved slower than expected and, as a result, the company has decided to discontinue its distance retail in the country as from the beginning of 2009, as part of measures to improve Hobby Hall's profitability.

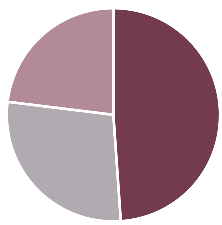
Hobby Hall's expertise will from now on be utilised on a wider scale within the Stockmann Group. The objective is to

DISTRIBUTION OF HOBBY HALL'S SALES BY GEOGRAPHICAL SEGMENT 2008



82% Finland
18% Baltic countries

DISTRIBUTION OF HOBBY HALL'S SALES BY MERCHANDISE SECTOR 2008



49% Electronics and household appliances
28% Home and interior
23% Leisure

Hobby Hall revealed its renewed range of stylish clothing in an online virtual fashion show, which proved very popular.

The Tallinn store moved to new premises in the Rocca al Mare shopping centre.

The new premises occupied by Hobby Hall's head office in Helsinki's Oulunkylä district are both attractive and functional.

further strengthen the competitiveness of distance retail and boost its overall profitability in the future. Hobby Hall will be integrated into the Department Store Division's business operations as from the start of 2010. Until then Hobby Hall will continue its operations as an independent division. Measures preparing the company for integration will mostly be carried out during 2009.

Aiming for improved profitability

In 2009, Hobby Hall's operations will focus on improving operating profit and the percentage of return on capital employed as well as on efficient integration with the Department Store Division. The company will continue to improve the efficiency of its operations and lighten its cost structure. Profitability will also be sought by developing the product range and improving gross margin and product turnover. The company will pay special attention to new customer acquisition and marketing to loyal customers in the development of its marketing.

Competition will remain stiff. The popularity of online shopping will continue to grow and companies will invest in multichannel operations. Hobby Hall believes that it will be able to maintain its competitiveness during the economic slowdown and succeed thanks to its affordable prices and the good quality of its products. A recent survey has shown that, during the downturn, consumers will focus more on their home, well-being, leisure and spending time with family and friends. Hobby Hall's product range effectively meets these customer needs.

Seppälä

Seppälä is Finland's most extensive chain of fashion stores. In addition to the 132 stores in Finland, Seppälä operates in Russia, Estonia, Latvia, Lithuania and Ukraine. The 203 stores in the chain are sited in prime commercial locations. Seppälä sells international fashion products for women, men and children. Footwear and cosmetics are also a part of Seppälä's range. Seppälä's clothes and accessories are the work of the chain's own designers. Centralized chain store operations guarantee affordable prices together with reliable quality.

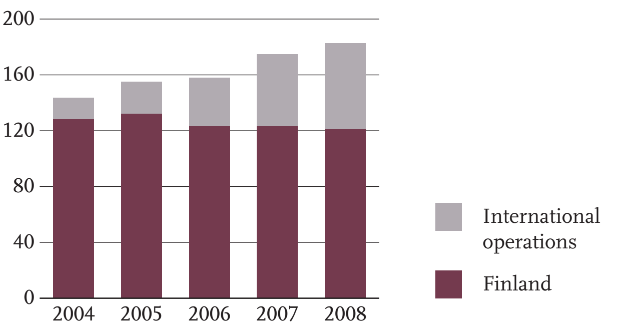
Growth continued and good profitability was maintained

Seppälä's sales in 2008 totalled EUR 182.6 million, a growth of 4 per cent on the previous year. Sales in Finland fell by 2 per cent, while overseas sales grew by 19 per cent. 66 per cent of sales came from Finland, while 34 per cent came from abroad. Just three years ago, foreign sales accounted for less than fifteen per cent of overall sales.

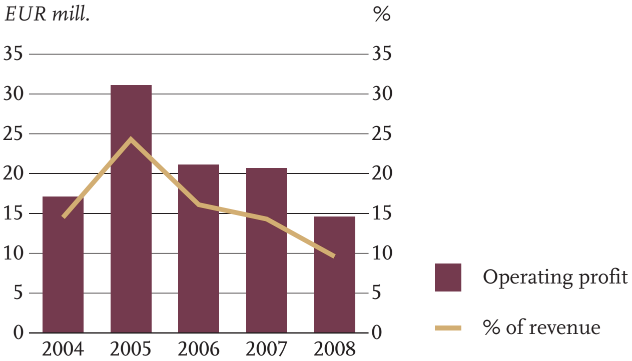
Sales abroad grew thanks to the opening of 14 new stores as well as robust growth in like-for-like sales in Russia. The rapid deterioration in the economic situation in the Baltic countries was also reflected in the demand for Seppälä's products, with sales figures in the Baltic countries falling below expectations in the autumn.

More than 60 per cent of Seppälä's sales came from women's fashion. These sales outgrew the market and Seppälä's other product areas in the autumn, when the collection

DEVELOPMENT OF SEPPÄLÄ'S SALES 2004-2008



DEVELOPMENT OF SEPPÄLÄ'S OPERATING PROFIT 2004-2008



KEY FIGURES

Seppälä, EUR mill.	2008	2007	change %
Sales	**182.6**	174.7	4
Proportion of Group sales, %	**8.1**	10.5	
Operating profit*	**14.6**	20.7	-30
Return on capital employed, %	**33.7**	67.3	
Capital employed	**43.3**	30.8	24
Investments	**7.2**	9.3	
Staff 31 December	**1 636**	1 510	8
Number of stores	**203**	185	10

* *Including other operating income*

succeeded in generating more interest and appeal than in the spring. At the annual level, the sales of children's wear grew the most, and the sales of men's wear showed a positive trend.

Operational result remained strong

Operating profit remained at a good level, amounting to EUR 14.6 million (EUR 20.7 million). The relative gross margin was at the same level as in the previous year. The strong sales and profit trend, however, was overshadowed by the growth in expenses arising from the vigorous expansion of operations and depreciation.

As in previous years, the return on capital employed was excellent, amounting to 33.7 per cent.

Own designers and renewed collections

Seppälä's mission is to encourage and inspire people to enjoy fashion in their own way. In 2008, Seppälä focused especially on the sales of complete outfits, and customers' average purchases grew in all market areas.

Seppälä carried out an extensive customer survey early in 2007. The survey showed that 95 per cent of Finnish women shopped at Seppälä, but that adult fashion-conscious women did not easily find products that suited their style there. This customer group's wishes were then addressed in more depth by improving collections and presentation at stores and directing marketing communications specifically at this target group.

As a result, Seppälä created its Seppälä By collections, the first of which, the Seppälä By Hanna Sarén collection, was launched in September 2008. Sarén, a renowned and talented Finnish freelance designer, opened the way for raising the profile of Seppälä's design work.

All of Seppälä's collections are the work of its fifteen designers, and it is this strong expertise in fashion design that the company wished to showcase. In October 2008, it introduced the Seppälä By Nykänen & Frigren collection, the handiwork of two of the company's own designers. This focus on Seppälä's design expertise bore fruit, as the sales of women's fashion grew faster than any other product group in autumn 2008. Moreover, a November customer satisfaction survey revealed that Seppälä's stores were clearly the second most attractive location for fashion shopping in Finland.

Seppälä encourages and inspires people to enjoy fashion in their own way.

Seppälä is set to gain from the synergy benefits brought by the conversion of Lindex's production offices into joint Stockmann Group purchasing offices. These benefits will arise from the role of the purchasing offices in managing local contacts and ensuring the quality of production. The cooperation between Seppälä and Stockmann's other divisions also includes joint negotiations on business premises in new shopping centres.

Store network sees expansion and revamp

Seppälä operates 132 stores in Finland, 34 stores in Russia, 18 in Estonia, nine in Latvia, nine in Lithuania and one in Ukraine.

In Finland, five new stores were opened and one closed in 2008. In addition, a concept redesign was carried out in 15 of Finland's stores as they moved to better commercial locations. In other countries, the company opened 14 stores: seven in Russia, three in Estonia and in Lithuania and one in Ukraine.

In Russia, the chain began expanding in 2007 from million-plus cities to cities with at least half a million inhabitants. In 2008, Seppälä also expanded into Moscow's satellite cities within a one hundred kilometre radius. What was typical of the new stores opened in Russia was the fact that Seppälä was the first international fashion retail chain to arrive in these new shopping centres.

The first store in Ukraine was opened in October in Kharkov, a city with over one million people in the eastern part of the country. Ukraine is the sixth country where Seppälä has operations. In spring 2009, the second store in Ukraine will be opened on Kiev's main shopping street.

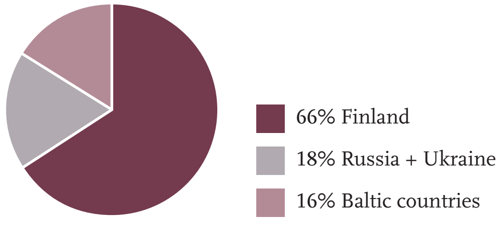
The wide-ranging Seppälä Super Leader Academy management training programme was started in Russia, with the focus on developing existing sales network operations and, above all, sales management. The programme was launched in the autumn with the training of store managers in Russia and with Train the Trainer coaching. Once this pilot stage is over, the programme will continue in all of the other countries where Seppälä has operations.

Seppälä Club an instant success

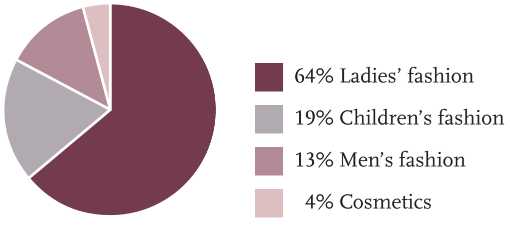
Seppälä began in autumn 2007 to search for fashion models for its advertising campaigns. The search focused on its own target group, ordinary fashion consumers, and the company set up a gallery on its website under the name "Supermodel of My Own Life". Through this gallery, anyone can apply for a modelling opportunity. Finatex, the Federation of Finnish Textile and Clothing Industries, awarded this concept the title "Finnish Fashion Act of the Year" in January 2008.

An active online community, numbering up to 50 000 visitors a week, formed around the Supermodel of My Own Life application and gallery site. This, in turn, inspired Seppälä to establish a loyal customer programme in Finland, called the Seppälä Club. It began in March and instantly became very popular. The club, already with more than 300 000 members, offers cash benefits and fashion tips and arranges various events. The club's main message is "Look good and benefit at the same time".

DISTRIBUTION OF SEPPÄLÄ'S SALES BY GEOGRAPHICAL SEGMENT 2008



DISTRIBUTION OF SEPPÄLÄ'S SALES BY MERCHANDISE SECTOR 2008



The country and regional managers in all of the countries in which Seppälä operates took part in the Seppälä Super Leader Academy management training programme. Left to right: Moscow regional manager Ulyana Golenkova, St Petersburg regional manager Maria Kalinina and Latvia's regional manager Jolanta Jamante.

Ukraine's first Seppälä store serves customers in Kharkov.

Päivi Nykänen (left) and Eevaliina Frigren, the designers of the 'Seppälä By Nykänen & Frigren' collection, dressed in designs from the collection.

Economic downturn also offers opportunities

Seppälä's competitive edge still lies in its product selections, which are constantly being added to and renewed. Stores are given a completely new look once every month and receive new products on a daily basis. This maintains consumers' interest in returning to the stores.

Seppälä's strength also lies in the management of its own products, from design to production monitoring and through to the sales transaction itself. Business operations can be quickly adapted in situations where there is a change in demand.

In Seppälä's view, the weakening state of the world economy will not reduce interest in dressing fashionably. The situation in fact offers a significant opportunity for Seppälä, which is seen as an affordable retailer, as consumers have second thoughts about buying mid-priced designer labels, opting for more affordably priced products instead. With its operations firmly based in a number of different markets, and by rapidly fine-tuning its growth strategy where necessary, Seppälä believes it will be able to adapt to the changing market situation.

Growth and good profitability will continue

Seppälä's main objective for 2009 is to ensure that growth in the sales of women's fashion continues and to bolster its good image as a compelling place to shop. The aim is also to achieve a higher success rate in regard to the appeal of collections to consumers. This would further improve the relative gross margin, as the proportion of products sold at reduced prices in sales would then be lower. A total of 8–12 new stores will be opened in 2009, half of which will be in Russia and the rest in other countries where Seppälä currently has operations. Seppälä's sales are expected to grow and its profitability to remain at a good level during 2009.

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. The Board of Directors proposes to the Annual General Meeting to be convened on 17 March 2009, that this voting restriction referred to in Article 3 of the Articles of Association, be removed. Information on share ownership is given on pages 57–61 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. The Board of Directors proposes to the Annual General Meeting to be convened on 17 March 2009, that Article 5 of the Articles of Association be amended in such a way as to remove the upper age limit applying to persons to be elected as members 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 presidents 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 selfassessment. The Board of Directors' rules of procedure are available on the company's website www.stockmann.com.

The Board of Directors met 14 times in 2008. 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 presidents 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 18 March 2008, the Board of Directors re-elected Christoffer Taxell, LL.M., as the 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 3 times during the financial year 2008. The Appointments and Compensation Committee's rules of procedure are available on the company's website www.stockmann.com.

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 1 March 2001.

The Group's line organization

Apart from the chief executive officer, the Board of Directors appoints the executive vice presidents and the other members of the Management Committee. Maisa Romanainen, director of the Department Store Division and Pekka Vähähyyppä, chief financial officer have acted as the company's executive vice presidents since 6 November 2008. 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 presidents, the other directors of the divisions, 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.

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. Risk management is guided by the principles confirmed by the Board of Directors. 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 2008 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 2008 financial year totalled EUR 154 700 for the audit of the parent company and a total of EUR 634 190 for the audit of the Group. In addition, KPMG was paid EUR 201 950 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 2008, according to the resolution passed by the Annual General Meeting held on 18 March 2008, a fixed emolument of EUR 76 000 was paid to the chairman of the Board of Directors, EUR 49 000 to the vice chairman and EUR 38 000 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 2008 financial year, the members of the Board of Directors were paid cash emoluments totalling EUR 207 384.29 and share emoluments of 5 239 of the company's Series B shares. The value of the emolument paid was a total of EUR 353 500. Emoluments paid to the members of the Board of Directors during the financial year 2008 are presented on the company's website.

The total amount of the salary, emoluments and fringe benefits paid to the chief executive officer in 2008 was EUR 633 858, of which fringe benefits accounted for EUR 16 730. In the chief executive officer agreement, the CEO's pension age is set at 60. The pension is determined in accordance with the Employees' Pensions Act and a separate insurance plan which is taken out by the company. The CEO's period of notice is specified bilaterally at 6 months. Should the company terminate the agreement, the CEO has the right to compensation corresponding to 12 months of fixed salary upon expiry of the termination period. In addition, the CEO is entitled to extra compensation corresponding to 12 months of fixed salary one year after expiry of the termination period if the CEO has not retired on an employment, voluntary or health-based pension funded by the company. Should the company terminate the executive post relationship on cancellation grounds due to personal reasons, neither of said classes of compensation shall be paid.

Incentive systems

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

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

The Annual General Meeting held on 21 March 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 scheme is given on page 57 of the Annual Report.

Insiders

Stockmann complies with the insider guidelines prepared by the Helsinki exchange, 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 presidents, 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.

Finnish Corporate Governance Code

The Finnish Corporate Governance Code was approved by the Securities Market Association in October 2008 and entered into force on 1 January 2009.

Stockmann will adhere to the Code. The Group will issue a corporate governance statement in accordance with recommendation 51 of the Code beginning with the financial year 2009.

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 for listed companies, the Board has confirmed the company's risk management principles.

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.

Corporate social responsibility

Values and operating procedures form the basis for responsible operations

Stockmann's core values and its management and operating procedures together form the basis for responsible operations. Responsibility is one of the Stockmann Group's six core values, and corporate social responsibility forms an integral part of Stockmann's normal operations, in which a longer term perspective is always essential. Stockmann's corporate social responsibility focuses on its own staff, the environment, product safety and a responsible approach to overseas sourcing.

The Corporate Social Responsibility Steering Group, which is headed by one of the Group's two Executive Vice Presidents, guides the implementation of corporate social responsibility and related development work within the Group. The steering group is made up of representatives from all the divisions. It is a body of experts with a coordinating role, and its task is to see that the divisions achieve the targeted level of social responsibility confirmed by the Management Committee and to implement the confirmed policies within each business division. The steering group prepares and updates the corporate social responsibility principles and policies for consideration by management and pursues a dialogue on responsible operations and associated priorities, and is also responsible for obtaining reporting data and assessing the extent to which responsible operations are being carried out within the entire Stockmann Group.

In practice, responsible operations are monitored by means of various sets of financial, environmental and social responsibility indicators, through the use of environmental systems and environmental legislation surveys, by monitoring product and service quality and by audits of the supplier chain. Monitoring and development are also carried out through Stockmann's active participation in the activities of relevant national and international bodies and organizations.

Scope of reporting

Stockmann is now publishing for the seventh 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 its personnel magazines. Lindex compiled a separate corporate social responsibility report on its operations in 2007, which is available on Lindex's website (www.lindex.com). The report for 2008 will be published in spring 2009.

The reporting covers the entire Group's operations. The key financial indicators are from the statutory accounting records, and many of the key indicators for environmental responsibility have been verified as part of the process of gaining ISO 14001 certifications. In calculating the key indicators, 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

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 electrical 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	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.
2008	The corporate social responsibility operating models used in the purchasing activities of Lindex and the other divisions are integrated.
	The Helsinki department store replaces its electric cooling system with a more eco-efficient district cooling system.

FINANCIAL KEY FIGURES

		2008	2007	2006
Revenue	EUR mill.	**1 878.7**	1 398.2	1 300.7
Operating profit	EUR mill.	**121.9**	125.2	129.5
Profit before taxes	EUR mill.	**71.7**	119.4	128.9
Dividends	EUR mill.		75.2	72.1
Board proposal to AGM*	EUR mill.	**38.0**		
The Board's authorization to pay a dividend**	EUR mill.	**23.3**		
Direct taxes	EUR mill.	**32.7**	31.1	24.3
Material and service purchases	EUR mill.	**971.7**	791.2	773.6
Salaries and emoluments	EUR mill.	**279.8**	181.9	167.9
Pension expenses	EUR mill.	**32.0**	26.3	24.4
Staff expenses	EUR mill.	**38.7**	15.8	12.3
Expenditure on staff training (excluding direct salary and wage costs)	EUR mill.	**1.0**	1.2	1.2
Average number of employees		**15 669**	11 161	10 069
Average number of part-time employees		**8 386**	5 182	4 729
Number of shareholders		**42 888**	39 137	40 198
Donations made	EUR mill.	**0.04**	0.1	0.1
Received employment contributions	EUR mill.	**0.2**	0.3	0.3

** Board proposal to the AGM. According to the proposal, a dividend of EUR 0.62 per share will be paid.*
*** Board of Directors' proposal to the Annual General Meeting that the Board be authorised to decide at its discretion later in 2009, Stockmann's financial standing permitting, on the payment of a dividend of no more than EUR 0.38.*

Reporting Initiative (GRI) indicators have been used, as appropriate, in selecting the gauges that are most essential for Stockmann's operations. The categories used are in line with the GRI's three-pillar concept, which views responsibility in terms of financial responsibility, social responsibility and environmental responsibility.

New regulations

Work in support of the corporate social responsibility goals continued in 2008 in line with the planned and confirmed policies. Several changes took place in environmental legislation and regulatory procedures during the year, and these called for monitoring and also planning and preparation in regard to practical implementation.

Producer liability for batteries and accumulators came into force in Finland in September 2008 under the Government decree on batteries and accumulators (422/2008). Retailers selling batteries and accumulators are now obligated to accept old batteries and accumulators returned by consumers for recycling. Batteries and accumulators must also comply with the requirements set out in the decree.

A nationwide system for returning recyclable plastic bottles with a deposit was launched in Finland in January 2008. The system is based on the Act on Excise Duty on Certain Beverage Packages and on the Government decree on a return system for certain beverage containers. Breweries and retailers set up Suomen Palautuspakkaus Oy (PALPA) to put the container deposit system into practice. The basic idea of the recycling system is that it should be as broad as possible, covering all kinds of beverage containers. The aim of the system is to reduce waste generation and the despatch of waste to landfills or for energy production.

Stockmann applies the EU Regulation on Animal By-Products in accordance with the guidelines issued by national authorities, which currently require that statistics on the amounts of raw and rendered animal by-products be compiled and notified to the competent authority, the Finnish Food Safety Authority. The objective of the EU Regulation on Animal By-Products is to protect human and animal health by laying down requirements for by-products derived from animals which may contain pathogens.

The EU's REACH Chemicals Regulation (Registration, Evaluation and Authorization of Chemicals, EC No. 1907/2006) came into force on 1 June 2007. Also at the drafting stage is a regulation on the implementation of the Globally Harmonized System of Classification and Labelling of Chemicals (GHS). The Stockmann Group's divisions require from their suppliers that the goods they deliver comply with all of the stipulations of the REACH regulation. Among other things, substances included in the list of substances of very high concern may not make up more than 0.1 per cent of any product, and products may not contain banned substances or more than the permitted limit of restricted substances. Safety data sheets for products are stored centrally on the intranet for use by stores and, if necessary, to be provided to consumers. Stores have also been instructed in how to answer possible questions from consumers about the chemical substances contained in products.

In order to ensure customer safety, Stockmann follows notifications concerning dangerous food products issued by the EU's Rapid Alert System for Food and Feed (RASFF) and notifications concerning other consumer goods issued by RAPEX, the EU rapid alert system for all dangerous consumer products. Such product notifications cover both the EU's internal trade and products and goods imported from outside the EU, and their aim is to provide information as quickly as possible about products that pose a risk to the health and safety of consumers. The retail trade has a key responsibility in preventing such products from reaching the market. Stockmann was among the companies that recalled faulty products from the market.

First-class customer service and a high standard of customer satisfaction are important to Stockmann. Stockmann engages in an active dialogue with its customers and receives tens of thousands items of written feedback from customers each year, in addition to which the stores receive customer feedback daily. Customers and consumers are also increasingly interested in how Stockmann deals with environmental issues and require information on this. Queries on environmental matters are dealt with by Stockmann's customer feedback system.

Financial responsibility

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

Stockmann is one of the components of the Kempen SNS Smaller Europe SRI sustainable development index 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 also makes donations for the public good. The purpose of these donations is to support education, culture, social projects and charities, and to further 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 sustainable development principles in its business operations.

In its role as importer of products, Stockmann has producer liability, i.e. it is obligated to arrange the waste disposal and recycling of its products at its own cost. The Group has sought to do this by joining producer organizations, which are responsible at the practical level for the collection, recycling and waste management nationwide of products discarded by consumers. The Environmental Register of Packaging PYR Ltd is responsible for the collection and recycling of packaging and packaging waste, while SERTY, an association responsible for recycling waste electrical and electronic equipment, attends to the recycling of electrical and electronic equipment and portable accumulators and batteries. Consumers can return products they no longer use to collection points maintained by these producer organizations free of charge.

Lindex products now travel to the stores in foldable plastic boxes which can be used at least 45 times and can then be recycled.

Department Store Division

Stockmann's department store chain in Finland has an environmental system certified according to the ISO 14001 standard. A certified environmental system guarantees a comprehensive approach to environmental compliance. The aim is to reduce environmental loading, e.g. by directing attention to preventing waste generation and by recycling waste, boosting the efficiency of energy consumption and taking environmental factors into account in decisions concerning purchases and product selections. The department stores' environmental systems were formulated and certified in 2002–2003. The present certificate remains valid until October 2009. The ISO 14001 certificate is voluntary and demonstrates the commitment of Stockmann department stores to developing their environmental compliance over and above the minimum statutory level.

The ISO 14001 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. Almost 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 of the standard. During 2008, 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 Jumbo shopping centre, Turku, Tampere and Oulu as well as at the office and warehouse facilities in Pitäjänmäki.

In setting up the environmental systems for the department stores, the main environmental issues have been identified, instructions for dealing with environmental matters have been prepared and goals have been set. The responsibility for operating in accordance with the specified guidelines rests with all levels in the organization. Along with the environmental systems, indicators for monitoring environmental impacts have also been developed. Results and measures carried out in line with the objectives are assessed in management reviews each year.

Customer feedback reveals that customers consider the different carrier bag options as being very significant for the environment. The environmental effects of the different materials used to make carrier bags have been widely studied by both Stockmann's own purchasing function and external organizations. It is difficult to find a material with a low environmental impact for disposable bags (plastic and paper bags), as each material has its positive and negative effects. Durable carrier bags made of polypropylene are considered the best solution so far, as their MIPS figure (material input per service unit), which indicates the eco-efficiency of a product, is extremely low in long-term use. Stockmann offers its customers in Finland and the Baltic countries durable bags made of non-woven polypropylene as an option.

Ever since 2005, as part of the department stores' work to reduce waste generation, BioWare biodegradable food containers have been used in the Delicatessens of the department stores and at other counters that serve ready-to-eat meals. Pastry boxes, too, have been replaced with environmentally friendly compostable boxes in all department stores. Furthermore, the Stockmann Delicatessen's wide selection offers plenty of organic and Fair Trade products, and the department stores sell environmentally labelled products.

Lindex

Lindex has devoted special attention to environmental aspects since 1995. Its work in this area is based on the principles of the ISO 14001 standard.

Lindex strives to reduce the use of packaging and increase the recycling of hangers, packaging and display material. Materials that cause the least burden on the environment are chosen for packaging, and suppliers are also subject to requirements for the selection of materials. By avoiding the use of mixed materials as much as possible, customers will find it easier to sort packaging waste. In 2008, Lindex began using new plastic containers for transporting goods from the logistics centre to Lindex stores. These are foldable boxes that can be used at least 45 times and are made of recyclable plastic. Thanks to these new returnable boxes, the use of corrugated cardboard was reduced by more than 50 per cent annually.

In its Code of Conduct, Lindex lays out requirements for e.g. waste handling and water treatment and stipulates that its goods suppliers comply with the environmental laws of the countries where the garments are manufactured. Lindex also stipulates that all chemicals be handled safely without jeopardizing the health of factory employees and the environment.

Lindex increased the number of ecological products in its range in 2008. The company's objective was to produce at least one million eco-friendly products during the year, a goal which was met. All of Lindex's departments (children's wear, women's wear and lingerie) offer ecological products, and these have all been given the special "Organic by Lindex" label to make it easier for customers to identify them.

Lindex has two types of ecological product. One line is composed of clothes manufactured from organic cotton. The production of cotton used for these garments is overseen by Control Union, an international certification body that uses the Organic Exchange standard. This standard guarantees that no chemical pesticides, genetically modified plants or artificial fertilizers are used in the cultivation of the cotton. The other group of products is composed of clothes with the EKO Sustainable Textile label, another standard overseen by Control Union. Garments equipped with this label contain at least 95 per cent ecologically cultivated cotton and, in addition, the standard also places demands on the entire manufacturing process, including dyeing and printing. Ecological

WASTE MANAGEMENT STATISTICS *tonnes*

	Department stores, Finland			Department stores, abroad			Lindex*			Hobby Hall*			Seppälä*			Total**		
	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006
Recyclable waste																		
Energy waste	**1 185**	1 233	1 275	**-**	1	0	**24**			**55**	59	55	**23**	28	28	**1 286**	1 320	1 358
Corrugated board	**1 783**	1 945	1 924	**443**	502	292	**1 141**			**319**	290	328	**370**	350	319	**4 056**	3 087	2 862
Paper	**205**	183	183	**-**	-	-	**6**			**32**	29	31	**56**	47	43	**298**	259	256
Plastic film, glass	**71**	33	12	**-**	28	25	**0**			**0**	16	13	**4**	-	-	**75**	77	50
Metal	**37**	38	40	**0**	0	0	**1**			**6**	8	10	**-**	-	-	**44**	46	50
Bio waste	**1 917**	1 754	1 769	**158**	95	77	**-**			**9**	10	10	**15**	15	14	**2 099**	1 873	1 870
Restwaste																		
Mixed waste	**362**	357	332	**3 608**	3 176	2 614	**3**			**20**	29	9	**9**	9	8	**4 001**	3 570	2 962
Hazardous waste	**5**	9	5	**-**	-	-	**-**			**2**	1	-	**0**	0	1	**6**	9	6
Total	**5 565**	5 552	5 540	**4 209**	3 800	3 009	**1 174**	-	-	**442**	440	455	**476**	449	412	**11 865**	10 241	9 415
Waste utilization, %	**93**	93	94	**14**	16	13	**100**			**95**	93	98	**98**	98	98	**66**	65	68

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.
* *Lindex figures include the head office, the Partille office and the logistics centre in Sweden. Hobby Hall figures include activities in Finland, excluding the new head office. Seppälä figures include the head office and the logistics centre.*
** *Years 2006–2007 without Lindex figures*

ENERGY CONSUMPTION

	Electricity (MWh)			Heat (MWh)			Water (m^3)		
	2008	2007	2006	2008	2007	2006	2008	2007	2006
Department Store Division, Finland	**58 318**	61 224	58 323	**18 554**	19 073	21 304	**113 987**	119 253	116 283
Department Store Division, abroad	**30 524**	31 615	23 517	**10 990**	12 148	4 485	**74 676**	75 697	58 867
Lindex*	**2 228**			**372**			**1 360**		
Hobby Hall*	**3 871**	4 553	4 179	**3 101**	3 321	3 166	**2 830**	3 381	3 296
Seppälä*	**1 054**	1 153	1 318	**1 226**	753	799	**1 927**	2 191	2 120
Others	**806**	839	937	**579**	328	775	**729**	783	805
Total	**96 801**	99 384	88 274	**34 821**	35 623	30 528	**195 509**	201 305	181 371

* *Lindex figures include the head office, the Partille office and the logistics centre in Sweden. Hobby Hall figures include activities in Finland, excluding the new head office. Seppälä figures include the head office and the logistics centre.*

Stockmann's CO_2 emission in 2008 was approx. 33 100 tons.

requirements are also placed on the thread used in clothes and on other components such as buttons and zips.

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 2008, Hobby Hall dispatched about 17 million catalogues and a total of 1.5 million packages to its customers. All catalogues and packaging are made from environmentally friendly, recyclable materials. Suppliers of materials must meet certain requirements, and Hobby Hall continually keeps a check on the various packaging material alternatives available. Environmental declarations have been obtained from all suppliers of packaging materials, and these are renewed if the supplier is changed. Recycled material is also used in the production of packaging material. Envelopes and covering letters are no longer used in mailing loyal customer catalogues, and the catalogues are partly printed on lighter weight paper.

Hobby Hall's online sales in 2008 accounted for 60 per cent of distance retail sales (57 per cent in 2007). The share of online sales is expected to continue to grow particularly in the Baltic countries. With the increase in the share of online sales, environmental loading caused by distance retailing is reduced, as customers order goods electronically instead of sending in coupons. As the popularity of online shopping grows, more and more products will be offered via the online service.

Hobby Hall's head office moved into new leased premises in Helsinki's Oulunkylä district in autumn 2008. Energy efficiency regulations were taken into account in the design and construction stages of the newly completed premises, and the property complies with modern, efficient recycling practices.

Hobby Hall's warehousing functions have been centralized 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. The efficiency of picking processes at the warehouse was boosted during 2008, greatly increasing the combined packaging of products and reducing the number of packages. This has increased not only the efficiency of product packaging but also of the transport and handling of products, thereby helping to reduce environmental impacts. Hobby Hall does not have its own transport fleet, but instead uses external service providers for all shipments to customers.

The sorting and recycling of waste are also a chief focus of environmental work at Hobby Hall. 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 2008 the same compactor produced on average 4.6 tonnes of waste each 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 this.

The system of nationwide recycling of electrical and electronic waste works well in conjunction with distance retailing. The policy whereby customers can 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 in Estonia.

Seppälä
Environmental work throughout the extensive Seppälä chain is part of everyday operations, with a strong emphasis on the contribution of staff in ensuring that environmental responsibilities are complied with.

Seppälä regularly keeps an eye on new ways of sorting and recycling at all its stores in Finland. The majority 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, Seppälä has carried out a survey of the recycling and sorting possibilities at its stores in the Baltic countries and Russia. For stores abroad, the basic principle is that they must observe local legislation and waste management practices. The survey indicated that, in all the markets, stores located in shopping centres have the best opportunities for efficient sorting.

Operating instructions for sorting and recycling have been prepared for the stores. 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. With the screw compactor procured in 2008, the company has been able to reduce the number of times cardboard has to be collected by half. The sorting rate at the head office and the logistics centre is excellent, whereas at stores it varies depending on the sorting possibilities permitted by each property.

Environmental responsibility is also clearly evident in Seppälä's relationships with suppliers. Seppälä has prepared detailed partnership guidelines that deal with packaging and the use of chemicals, among other things. 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. The cooperation guidelines furthermore deal with responsible importing and Seppälä's efforts to promote this.

Seppälä has brought out an environmentally friendly "Ecologic by Seppälä" range, all of the products of which comply with the requirements of the international EKO Sustainable Textile standard, which is overseen by Control Union. The range encompasses nightwear for women and children.

Waste management and energy

Energy consumption and waste are the most significant environmental aspects of the Stockmann Group's operations. The direct environmental impacts caused by Stockmann are relatively minor. Although Stockmann's operations do not burden the environment to a great extent, the Group's environmental performance is being improved through continuous development, waste sorting and better energy efficiency.

One of the primary issues in reducing the burden on the environment by Stockmann's divisions is how to sort waste and make sorting more efficient. Waste is sorted where it arises: in the warehouses, department stores and other stores. Sortable waste in Finland includes energy-producing, bio, mixed and hazardous waste, cardboard, paper, small metal, electrical and electronic waste. Energy-producing and biowaste, along with paper, cardboard and metal, are delivered to waste processing plants, whereas hazardous waste goes to hazardous waste plants and mixed waste to landfills.

The pilot project for the collection of plastic film and shrinkwrap has indicated that, in the Department Store Division, these wrapping materials are mostly removed from products at the warehouses, resulting in very little plastic waste being generated at department stores. Based on the experiences gained, Stockmann decided to continue collection of these materials at the Pitäjänmäki warehouse and the department store in the Jumbo shopping centre. Seppälä began the collection of transparent recyclable plastic in 2008, with the aim of reducing the amount of energy waste.

The recycling efficiency rate for waste in the Group's operations in Finland is high, reaching 94 per cent. In international operations, the rate is 33 per cent. Annual targets have been set for waste management activities, and the results are monitored regularly.

The different methods used for managing waste at different business locations 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.

↑ This durable carrier bag made of polypropylene is an environmentally friendly solution in long-term use.

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 with the opportunities available for recycling. A challenge in the years ahead is therefore to harmonize the waste management practices of the Group's everexpanding operations abroad and to unify the reporting on these with the practices at the Group's other units.

In the retail sector, environmental accidents and discharges into water systems are not major environmental considerations, as the probability of their occurrence is extremely small.

The Group's energy consumption consists of electricity, district heating and water, as well as district cooling at the Helsinki department store. The recorded levels of energy consumption stem mainly from the lighting and cooling of store, warehouse and office premises and from the electrical equipment used in these areas. The aim of building management is to provide heating, ventilation and lighting conditions that are energy-efficient and costeffective and support business operations. When improving working conditions, factors bearing on employee well-being and customer satisfaction are taken into account, such as indoor air quality.

The production of ecological cotton garments is overseen by Control Union, an international certification body.

The Group's electric power consumption in 2008 was 96 801 MWh, a decrease of 3 per cent on the previous year (99 384 MWh in 2007). As a consequence of expanding operations, a Group-wide energy-saving campaign was launched in 2007. The aim is to inform staff about the means by which electricity can be conserved and to get them to think about how to use electrical appliances in an energy-efficient way and to change the way they do things. The campaign has been well-received by employees.

Monitoring of electricity consumption in Stockmann's properties has been improved and made more efficient, with special attention given to consumption outside of opening hours. As an example of this, Stockmann has developed for its property services an alarm system which can be used to react to changes in electricity consumption and prevent the inappropriate use of electricity.

The modernized building services introduced in connection with the enlargement project at the Helsinki department store will improve relative energy efficiency. For example, the district cooling system introduced in May 2008 has cut electricity consumption at the department store.

Stockmann signed an agreement for the procurement of lights for all the Department Store Division's operations in Finland in 2006. A number of light bulb models can be replaced with more energy-efficient ones. The use of energy-efficient lights will help achieve an annual cut in electricity consumption equivalent to a week's consumption by the Helsinki department store.

Total water consumption by the Group in 2008 was 195 509 cubic metres (201 305 cubic metres in 2007). 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. With the aim of reducing carbon dioxide emissions from company-operated cars, the company pays for the diesel tax on employee company cars.

Social responsibility

Stockmann is a founding member of Transparency Finland, an organization that works to combat international bribery and corruption. 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. The Stockmann Group's operations in each country are always in line with the company's core values and operating instructions, and with local laws and regulations.

Responsibility for the company's own personnel forms a central part of Stockmann's corporate social responsibility. Personnel matters are presented separately on pages 44–47 of this Annual Report.

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. The Stockmann Group does not have its own factories or production plants, but instead goods are purchased from suppliers mainly in Europe and Asia. As part of its responsible operations, Stockmann stipulates that its product suppliers observe social responsibility in their production processes.

On a Finnish scale, Stockmann is a large company, but worldwide it is a fairly small player. This is why Stockmann pursues close cooperation with other retail and wholesale companies and groups, with the aim of developing responsible operations across the entire supply chain.

Measures to promote responsible importing practices have 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 food, clothing and footwear, and importers. Stockmann is committed to promoting the application of ethical principles in importing as defined by the network. In addition, Stockmann adheres to the principles of responsible import trade as 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.

Since 2005, Stockmann has been a member of the Business Social Compliance Initiative (BSCI), a cooperation organization that has been developed by European companies, trade unions and other organizations. BSCI is a corporate social responsibility cooperation body and is administered by the Brussels-based Foreign Trade Association (FTA). Apart from the Stockmann Group being a member, Lindex has been a direct member of BSCI, too.

The purpose of BSCI is to improve the working conditions in the production facilities of goods suppliers, at the same time clarifying and harmonizing the means by which suppliers are monitored in high-risk countries. The centrepieces of the system are the BSCI Code of Conduct for corporate social responsibility and the audits carried out on the basis of the requirements set out in the Code. Audits of working conditions are carried out by external, authorized auditors. Certification institutions authorized to perform BSCI audits also perform SA8000 audits, which means that a company can opt to upgrade to SA8000 certification. An audit conducted by an external professional guarantees the transparency and reliability of the system. More detailed information on BSCI's ways of working can be found on the following website: www.bsci-eu.com.

Lindex employs the BSCI system on a broader scale than other Stockmann divisions, since most of its products are manufactured outside the EU. The other divisions utilize BSCI cooperation with suppliers from outside the EU mostly in the production of their own brands.

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. When signing a supplier agreement with one of Stockmann's divisions, suppliers undertake not to use child labour or forced labour, nor to practice discrimination, and to strive to ensure employees safe working conditions and adequate wages.

Responsible importing by Lindex

Lindex works with over 200 suppliers producing goods in more than 350 factories primarily in Asia and Europe. An estimated 160 000 people are employed in these operations. Lindex has purchasing offices in China, Hong Kong, India, Bangladesh, Pakistan and Turkey which, following Lindex's integration, now serve the entire Stockmann Group. With its own purchasing offices, Lindex has closer access to production, and with operations near its suppliers it is easier for it to ensure that production is carried out in acceptable conditions. The company also gains a better understanding of local problems and is able to detect any abuses in suppliers' operations.

For more than ten years already, Lindex has been making sure that its goods suppliers follow the requirements set out in its Code of Conduct. Every purchasing office employs local inspectors, who supervise that the requirements are followed by conducting inspections at the factories. Usually factories are notified of the inspections in advance, but sometimes they are undertaken without prior notice. Lindex has seven inspectors in different countries on its payroll. They work full-time for improving working conditions at production facilities. Inspectors from independent auditing bodies approved by the Business Social Compliance Initiative (BSCI), a European cooperation organization working for social quality assurance, also supervise working conditions in companies that supply goods to Lindex. In 2008, Lindex carried out a total of 372 BSCI inspections, of which 223 were the first of their kind in a supplier's premises and 149 were follow-up inspections. Lindex's own inspectors conducted 238 of the inspections, while external companies approved by BSCI carried out 134 inspections. In 2008, Lindex greatly exceeded its target of having at least two-thirds of its suppliers (calculated in terms of sales) inspected by an external auditing company approved by BSCI. At the close of the year, 85 per cent of suppliers had been inspected.

Supervision through inspections is important, but in order to achieve truly long-lasting improvements in working conditions, information and training are also required. With this in mind, Lindex actively trains goods suppliers through local seminars and workshops organized by either BSCI or Lindex. The objective is to provide suppliers and factories with a better level of knowledge, so that improvements can be implemented more easily. During 2008, Lindex arranged training for suppliers in India with the aim of enhancing their level of knowledge, documentation work and management systems. The training events produced extremely good results, leading Lindex to conclude that efforts devoted to improve these aspects have a positive impact in other areas as well.

Personnel

The personnel structure of the Stockmann Group became considerably more international, as Lindex became part of the Group at the end of 2007. Seppälä's expansion into Ukraine in August 2008 extended personnel cooperation to yet another country. The Group's personnel numbered 15 737 employees at the close of 2008 (16 478 at the close of 2007). Up to 51 per cent of the personnel, or 8 072 employees, worked outside of Finland (8 294 in 2007).

Thanks to the prolonged period of economic growth, Stockmann's market areas have, in recent years, provided plenty of job openings in the service sector, resulting in a relatively high rate of labour mobility. In 2008, particularly towards the end of the year, personnel turnover dropped significantly in almost all of the countries in which the Group has operations.

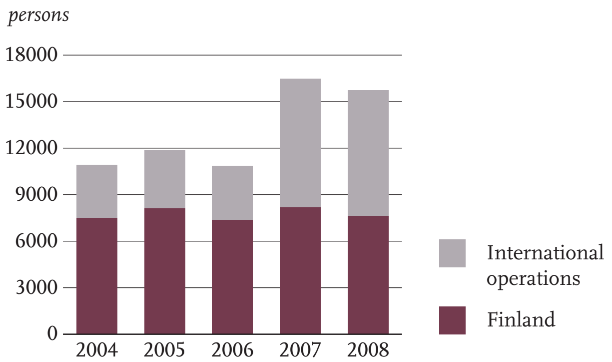
There continued to be a shortage in skilled labour in Finland throughout the early part of the year, which also increased Stockmann's personnel turnover. The department stores in the Helsinki metropolitan area participated in several public recruitment events. The layout of the recruitment pages on Stockmann's website was updated, and a new video describing jobs within the Group was produced. The increased economic uncertainty in the autumn and bad news from the job market curbed employees' enthusiasm to change jobs. In Finland, the Group had only a few job openings in November, and there were high numbers of applicants for these jobs.

Signs of the economic downturn were visible in the Baltic countries already at the start of 2008, and as a result, turnover in personnel fell substantially. Baltic expatriates working abroad began to return to their home countries. However, there continued to be a shortage in skilled labour in the region's capital cities, which is partly a result of the population's structure, i.e. there are not enough young people entering the job market. Among the Baltic countries, the situation is most difficult in Lithuania, whereas Estonia has the best availability of labour skilled in the service sector. From one Baltic country to the other there are also great differences in people's willingness to take up part-time jobs.

The downturn began to be felt in the Russian job market later than in Finland or the Baltic countries. Labour turnover was still typically high early in the year. In the autumn, Russian retail forecasts began to report the need for future personnel cuts, and job openings began to generate record numbers of applications. Even if the number of companies competing for labour were to fall, there will be structural labour shortage in Russia, as in Stockmann's other market areas, as the number of young people entering the job market will not be sufficient to replace the retiring baby boomers.

The global economic uncertainty was not reflected in the Swedish and Norwegian job markets in the same way as in Stockmann's other market areas. Lindex's personnel turnover remained at the same level throughout the year in these two countries, with no changes to speak of taking place towards the end of the year.

STAFF AT YEAR-END 2004-2008



PERSONNEL KEY FIGURES 2008

	2008	2007	2006
Staff 31 December	**15 737**	16 478	10 862
Staff in Finland 31 December	**7 665**	8 184	7 385
Staff abroad 31 December	**8 072**	8 294	3 477
The proportion of people working abroad, %	**51**	50	32
Average number of employees	**15 669**	11 161	10 069
Average number of employees converted to full-time staff	**11 964**	8 979	8 037
Average age of staff	**34**	33	34
Staff turnover of permanent employees in Finland, average %	**15**	14	15
Staff turnover of recruited employees in Finland, %	**15**	14	13
Staff turnover of resigned employees in Finland, %	**16**	14	16
Staff turnover of permanent employees in Russia, average %	**65**	76	63
Staff turnover of permanent employees in Baltic countries, average %	**43**	56	48
Sickness absences in Finland, %	**5.1**	4.4	4.9
Full time employees	**4.9**	4	4.8
Part time employees	**5.2**	5	5
Full time staff / Part time staff total, %	**46/54**	44/56	50/50
in Finland	**41/59**	40/60	40/60
abroad	**51/49**	48/52	71/29
Staff expenses, share of revenue %	**18.7**	16	15.7
Number of reported accidents at work, Finland	**261**	244	293

The systematic development and integration of the Group's human resources management systems was continued. Substantial investments were made in the deployment of the work shift planning system which will be used in all of the Group's market areas. Considerable cost savings can be achieved especially in Russia and the Baltic countries by improving the optimal utilization of personnel work hours in the same way as has been done in the Nordic countries for years. The new international work shift planning system was first adopted in Russia. In 2009, it will be introduced to the Baltic countries, after which the current system in Finland will also be replaced.

Staff induction training and development

Guaranteeing and improving personnel know-how required more efforts than before, as several ways of working changed during 2008. Before the launching of the new Loyal Customer Card, Stockmann MasterCard, sales personnel at all units received training in the handling of the new card and in instructing customers. When Stockmann's new phone system was gradually introduced in Finland during the year under review, new operating guidelines had to be communicated to all Stockmann employees in the country. Stockmann also launched other projects to modernize information systems, with these changes also requiring staff orientation and training.

The workplace atmosphere survey conducted in the Department Store Division in autumn 2007 once again highlighted the need to boost the efficiency of new employee induction. Working groups were set up in department stores in 2008 in order to consider the effectiveness of induction carried out in teams, in particular. The best practices found in department stores will form a databank that will be jointly utilized by all people working in induction. A new tool to support induction, a workbook entitled Asennetta perehdyttämiseen (Induction with Attitude), was also completed and will be used to help convey know-how to new employees.

Stockmann aimed to increase the attractiveness of the Delicatessen as a workplace by trying out the Delicatessen Trainee Programme which, in addition to diverse on-the-job learning, offers trainees the chance to complete a further qualification in sales. Students work in different product areas in Delicatessens in the Helsinki metropolitan area and are broadly acquainted with the food industry. The programme attracted a great deal of interest; of the more than one hundred applicants, 22 students were selected, some of whom were already employed by Stockmann, while others were new employees.

Stockmann also introduced a trainee programme for which Stockmann employees were selected for training for potential team leader tasks. The programme included training in the role of team leader, daily management and interactive skills as well as an introduction to financial indicators and reporting practices.

The main theme in supervisor training was the work of immediate supervisors. The Group-wide management training programme was developed into the Stockmann Management Professionals programme, which will be phased in all the countries in which Stockmann operates. When developing the programme, Stockmann took into consideration the good experiences gained in the Senior Management Trainee programme for International Operations, which was completed in spring 2008. Part of the professional programme will be carried out in Finnish and Russian, while part of it will be English language training intended for supervisors in all the countries in which Stockmann operates.

One of Lindex's priorities has been to commit personnel to the division's new values, which were presented in February 2008. Personnel commitment has been ensured by organizing workshop-like events in different stores and offices with the objective of having all employees incorporate the values into their daily work.

The Lindex chain expanded into Russia and the Middle East in 2008, a process that will require plenty of induction and training of new employees, to ensure that Lindex's concepts become familiar. Towards the end of 2008, Lindex set up several project teams that will fine-tune the company's joint induction and training programmes. The project teams will

Emma Walther from Gothenburg is one of the almost 5 000 new employees who joined the Stockmann Group following the acquisition of Lindex.

Stockmann's staff magazine "MeVi" was joined by versions in Russian, Estonian and Latvian. Tatjana Krisina and Aleksandr Ahmetzjanov study the Russian language Мы magazine at Stockmann's Mega North department store in Moscow.

determine what it means to work for Lindex and simplify the ways of working used in new store start-up projects for different market areas. In connection with the revision of Lindex's values, the desired management behaviour model was also described. The first step was to provide training for supervisors on the provision of feedback. Investments were also made in the induction of new supervisors.

In all countries Seppälä's Spirit sales training focused on the sales of fashionable complete outfits and on increasing the size of the average purchase. The company's internal trainers consisted of Spiritor trainers and store managers as well as a number of Fashion Star salespersons who were trained for the task. In the autumn, the company started the Seppälä Super Leader Academy supervisor training programme for country and area managers in all countries and for store managers in Russia. The objective of the programme is to improve the capabilities of country and area managers in the induction of new store managers into supervisory work and to ensure a good sales trend in Russia, the company's most rapidly growing market. Employees in Finland continued their studies in the Russian language. The specialist qualification for shop managers was completed by 18 of Seppälä's store managers.

Hobby Hall continued organizing supervisory training, which was started in earlier years. The training programme started with management team training in the autumn of 2007 and continued in the spring of 2008 with a two-day management training event for supervisors, arranged with the help of an external training company. The training event recapped the supervisory skills taught earlier and dealt with them in more depth. Hobby Hall organized business location specific discussion events towards the end of the year in order to increase interaction between personnel and senior management. At these events, the staff had an opportunity to ask questions and present views directly to the division's management team. The feedback received from the events has been positive.

Hobby Hall's personnel have also participated in courses organized by the Stockmann Group, such as information technology training, team leader training and supervisory training events. Training events aiming at improving supervisors' interactive skills, in particular, were popular. As operations have become more international, there has been a great deal of investment in language training, particularly the study of English.

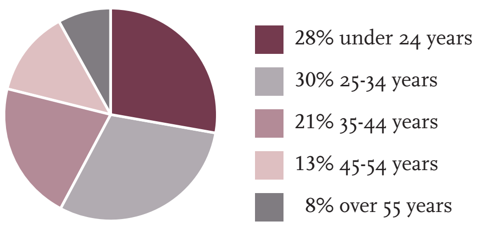
Codetermination and equality

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.

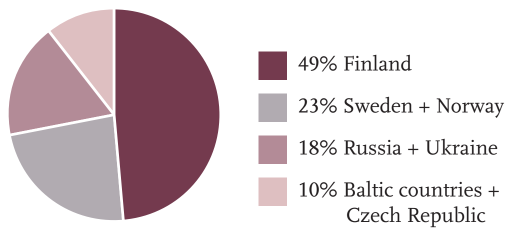
In Finland, each division and also the larger company sites have their own Employees' Council that deals with issues related to the Act on Co-operation within undertakings in its own business area. These councils also deal with the duties of the Occupational Safety Committees.

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 of Stockmann 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 Group level management review in conjunction with discussion of their own issues.

AGE STRUCTURE OF THE STAFF 2008



DISTRIBUTION OF STAFF BY GEOGRAPHICAL SEGMENT 2008



Lindex has its own European Works Council, whose processes in Finland have been integrated into codetermination practices in the Stockmann Group.

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

85 per cent of the Group's personnel are women and 15 per cent men. Women accounted for 79 per cent of the senior salaried employees and men for 21 per cent. The proportion of female executives was 65 per cent (64 per cent in 2007). 70 per cent of directors working in Finland were women (65) and 56 per cent of those working abroad (63).

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.

The various incentive bonuses came to a total of EUR 6.2 million in 2008. In addition, EUR 1.3 million was booked in 2008 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 on the Group's website, www.stockmann.com. Detailed information on the share option scheme for key employees is presented in the section Shares and share capital on page 57 of this Annual Report.

Occupational health care

In the Finnish department stores, occupational health care services have been arranged through Stockmann's own occupational health care centre and outsourced services. In Helsinki, the staff of Stockmann's occupational health care centre mostly serve the employees of the Helsinki metropolitan area, while in other cities occupational health care services are procured.

The health and working capacity of department store personnel was monitored, and studies carried out, where necessary, either on the individual or the team level. When needed, the occupational health service supported employees and teams in their well-being and coping at work. Studies and measures related to the management of sickness absences were systematically continued. Discussions about well-being and managing in work played an important role in the implementation of the principle of early support from supervisors and the occupational health service in order to prevent absences. When necessary, employees were referred to different types of medical and occupational rehabilitation (Aslak, Tyk, various rehabilitation programmes based on diagnoses). The supervisors of those being rehabilitated actively participated in advanced professional rehabilitation cooperation days together with the occupational health care.

In Finland, Lindex prepared for the harmonization of its occupational health services with those of the Group's other companies in Finland.

Seppälä upgraded its occupational health service to the general practitioner level in 2008. Part of Seppälä's office staff participated in the Aslak rehabilitation programme. In addition to health check-ups carried out on new personnel, Seppälä performed health check-ups on employees aged over 35 years. About half of Seppälä's employees are aged over 35 years.

Hobby Hall's occupational health service participated in drawing up ergonomic designs for the company's new head office and provided support for staff in other matters concerning the new working environment. Hobby Hall also strove to monitor sickness absences efficiently and to support early rehabilitation. Health inspections were carried out in the departments with the highest numbers of sickness absences.

The largest diagnostic groups responsible for sickness absences among the staff in Finland continued to be respiratory inflammations and musculo-skeletal ailments.

In Sweden, Lindex offers its employees health care insurance as a job benefit complementing basic health care. Similarly, the Group partially supplements local health care services in Russia and Latvia with voluntary health insurance. In Estonia, Lithuania and the Czech Republic the personnel use government health care services.

Staff magazines and the intranet revamped

The Group's staff magazines underwent a major revamp in 2008. The Russian "Мы", the Estonian "Meie" and the Latvian "Mēs" magazines were launched alongside the "MeVi" staff magazine that is published in Finland. The names of all these magazines have the same meaning – "Us" – and they are published in each country using the same format and appearance. About half of the magazines' content is general, while the rest is composed of articles concerning the country of publication. The staff magazines are published quarterly. In addition to the Group's publications, divisions and department stores publish their own newsletters, many of which are available both online and in print.

The intranet has continued to grow in importance as an internal communication tool for the Group. The Finnish language intranet is widely used by the Group and different divisions. The Group's English language webpages have been complemented with the Russian pages launched by the Department Store Division in 2007, as well as the Estonian and Latvian pages started by it in 2008.

The intranet has continued to grow in importance as an internal communication tool for the Group.

Towards the end of 2008, Stockmann's intranet site was given a new, updated look. At the same time, the structure and user properties of the intranet site were significantly improved based on a user survey.

Lindex has its own intranet site and staff magazine which also publish material concerning the Stockmann Group. The Stockmann Group's staff magazine is distributed to Lindex employees in Finland, Estonia, Latvia and Russia.

Board report on operations

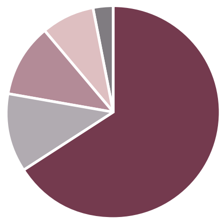
Sales grew by 36 per cent, totalling EUR 2 265.8 million (EUR 1 668.3 million). Consolidated operating profit declined during the financial year to EUR 121.9 million (EUR 125.2 million). Net financing expenses grew as planned as a result of the Lindex acquisition, and with the weakening of the Swedish krona a deferred tax liability of EUR 27.2 million, which nevertheless has no effect on cash flow, was recognized on the basis of the unrealized exchange gain on the foreign currency loan. For these reasons, net profit for the financial year declined from the previous year, amounting to EUR 39.1 million. Earnings per share were EUR 0.67 (EUR 1.59). Without the increase in deferred tax liability due to the weakening of the Swedish krona, the earnings per share would have been EUR 1.13. The Board of Directors will propose the payment of a dividend of EUR 0.62 per share. The Board also proposes that it be authorised to decide at its discretion, by 31 December 2009, on the payment of a dividend of no more than EUR 0.38 per share, the company's financial standing permitting, in addition to the above-mentioned dividend decided by the Annual General Meeting.

Sales and result

The Stockmann Group's sales in 2008 grew by 36 per cent, totalling EUR 2 265.8 million (EUR 1 668.3 million). The strong growth came as a result of Lindex joining the Group in December 2007. Seppälä's sales were up, the Department Store Division's sales were on a par with the previous year's level, and Hobby Hall's sales were down on the 2007 figure.

Sales in Finland were up 5 per cent to EUR 1 224.8 million. Consolidated sales abroad totalled EUR 1 041.0 million, a growth of 110 per cent. Without Lindex, the corresponding figure would have been 2 per cent. Growth in sales abroad was adversely affected by the closure of the department store in the Smolensky Passage shopping centre in Moscow in May due to the unlawful activities of its lessors, as well as the weakening of the Swedish krona, Norwegian krone and Russian rouble against the euro. International operations accounted for an increased share of consolidated sales, rising from 30 per cent to 46 per cent.

SALES BY SECTOR



REVENUE

	2008 EUR mill.	2007 EUR mill.	change EUR mill.	change %
Department Store Division, Finland	**727.1**	729.5	-2.4	-0.3
Department Store Division, international operations	**298.8**	295.5	3.2	1.1
Department Store Division, total	**1 025.9**	1 025.0	0.9	0.1
Lindex, Finland	**63.2**	6.0		
Lindex, international operations	**477.1**	48.7		
Lindex, total*	**540.2**	54.7		
Hobby Hall, Finland	**130.8**	139.3	-8.5	-6.1
Hobby Hall, international operations	**28.8**	32.4	-3.6	-11.1
Hobby Hall, total	**159.6**	171.7	-12.1	-7.1
Seppälä, Finland	**99.5**	101.1	-1.6	-1.6
Seppälä, international operations	**52.4**	43.9	8.5	19.3
Seppälä, total	**151.9**	145.1	6.8	4.7
Unallocated	**1.1**	1.7	-0.6	
Operations in Finland, total	**1 021.8**	977.6	44.0	4.5
International operations, total	**856.9**	420.6	436.5	103.8
Group, total	**1 878.7**	1 398.2	480.5	34.4

**Lindex from 6 December 2007*

Other operating income on the sale of an unbuilt plot and certain equities totalled EUR 4.2 million (EUR 9.7 million the previous year).

The Group's operating gross margin increased by EUR 300.1 million to EUR 907.0 million, and its relative gross margin was 48.3 per cent (43.4 per cent). The improvement in the Group's relative gross margin was mainly due to the inclusion of Lindex in the consolidated figures. Lindex's relative gross margin was at an all-time high. Hobby Hall's relative gross margin improved, Seppälä's relative gross margin was at the previous year's level and the Department Store Division's relative gross margin decreased slightly. Operating costs increased by EUR 273.2 million and depreciation by EUR 24.5 million.

Expenses totalling EUR 6.0 million were recorded for the financial year due to the closure of the Smolenskaya department store. The effect of this on earnings was a total of EUR 14 million, taking into account, too, the overhead costs allocated to other units after the closure, and the lost margin.

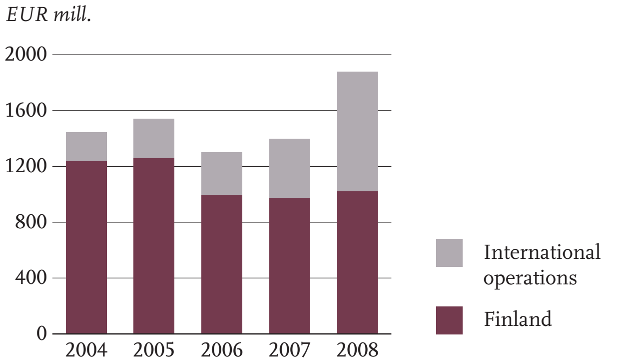
Consolidated operating profit for the financial year was down by EUR 3.3 million to EUR 121.9 million.

Net financing expenses grew by EUR 44.4 million, reaching EUR 50.1 million (EUR 5.7 million). The increase in net financing expenses was mainly due to the costs of borrowed capital for the Lindex acquisition.

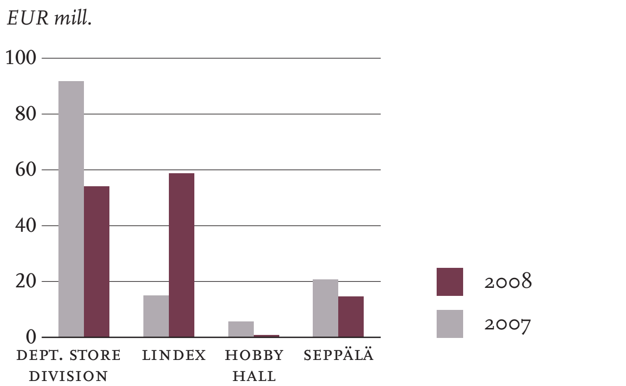
Profit before taxes was EUR 71.7 million for the financial year, down EUR 47.7 million on the figure a year earlier. Direct taxes were EUR 32.7 million, inreasing by EUR 1.6 million on the previous year's figure. Due to the weakening of the Swedish krona, a deferred tax liability of EUR 27.2 million was recognized on the basis of the unrealized exchange gain on the foreign currency loan taken out for the Lindex acquisition. Net profit for the financial year totalled EUR 39.1 million (EUR 88.4 million).

Earnings per share in the financial year were EUR 0.67 (EUR 1.59) and, diluted for options, earnings were EUR 0.67 (EUR 1.58). Calculated without the increase of EUR 27.2 million in deferred tax liabilities as a result of the weakening of the Swedish krona, earnings per share in the financial year amounted to EUR 1.13. Equity per share was EUR 11.24 (EUR 10.66).

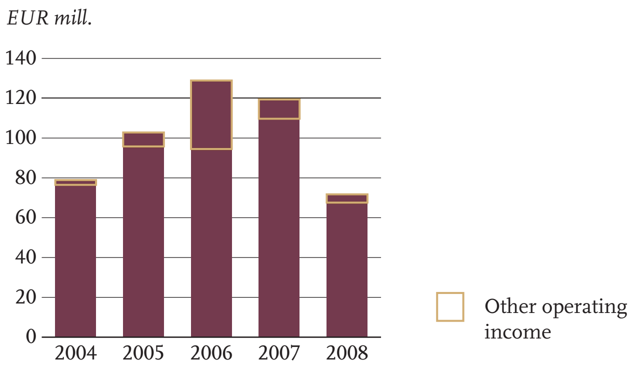
REVENUE 2004-2008



OPERATING PROFIT 2007-2008



PROFIT BEFORE TAXES 2004-2008



OPERATING PROFIT AND RETURN ON CAPITAL EMPLOYED

	2008 EUR mill.	2007 EUR mill.	change EUR mill.	2008 ROCE %	2007 ROCE %
Department Store Division	**54.0**	91.8	-37.9	**9.6**	18.1
Lindex*	**58.7**	15.0		**6.6**	
Hobby Hall	**0.8**	5.7	-4.9	**1.0**	6.5
Seppälä	**14.6**	20.7	-6.1	**33.7**	67.3
Eliminations	**0.0**	-0.7	0.6		
Unallocated	**-6.1**	-7.5	1.4		
Total	**121.9**	125.2	-3.3	**8.3**	12.1

Lindex from 6 December 2007

Sales and earnings trend by business segment

Department Store Division

The Department Store Division's sales maintained the previous year's level, totalling EUR 1 218.9 million. Sales in Finland remained at the same level as the year before. International sales were boosted by the good like-for-like sales growth of the department stores in Russia and the Baltic countries and the new Bestseller stores, but were adversely affected by the closing of the Smolenskaya department store in Moscow. International sales grew by one per cent and their share of the division's sales was 29 per cent (28 per cent).

The relative gross margin for the financial year declined. This was due to the vigorous price campaigning targeted at Loyal Customers in the latter part of the year, the aim of which was to maintain sales volumes. The Department Store Division's operating profit was down to EUR 54.0 million (EUR 91.8 million). The previous year's operating profit included EUR 9.7 million in non-recurring income. Total costs of EUR 6.0 million arising from the closure of the Smolenskaya department store were recorded for the financial year. The effect of the closure on earnings was a total of EUR 14 million, taking into account, too, the overhead costs allocated to other units after the closure, and the lost margin.

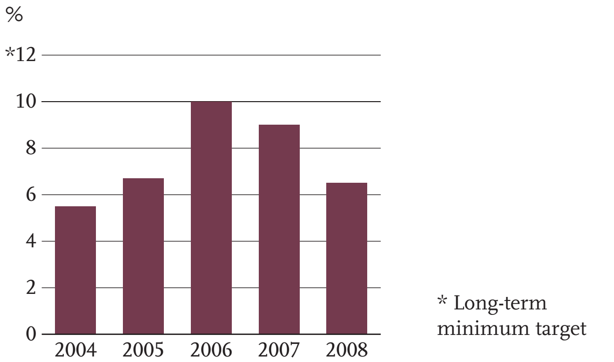
Lindex

Lindex's sales in the financial year amounted to EUR 672.5 million. Compared with the pro forma statement for the corresponding period in 2007, sales were down 5 per cent, owing to changes in foreign exchange rates. In local currency terms, sales remained on a par with the previous year, although Lindex increased its market share in Sweden, its main market. Lindex's operating profit was EUR 58.7 million, and was burdened by the depreciation connected with the Lindex acquisition under IFRS and by a non-recurring cost entry for inventories, which together totalled EUR 6.5 million. In local currency terms, Lindex's operative result was its best ever. The weakening of the Swedish krona and Norwegian krone against the euro reduced operating profit for the financial year by an imputed EUR 2.7 million. Lindex's pro forma operating profit in 2007 totalled EUR 70.9 million. In the consolidated earnings for 2007, the operating profit generated by Lindex, which was acquired in December of that year, was EUR 15.0 million.

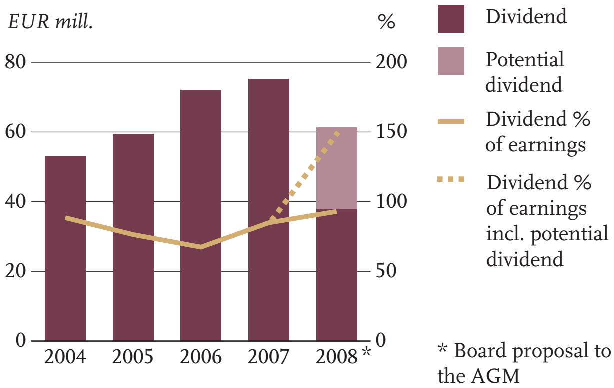
Hobby Hall

Hobby Hall's sales in the financial year decreased by 7 per cent to EUR 191.0 million (EUR 206.5 million). A large proportion of Hobby Hall's sales consists of electronic products, for which the total market has diminished and the general price trend has been on the decline. Sales declined both in Finland and abroad, but Hobby Hall's relative gross margin grew. Hobby Hall's operating profit for the financial year fell by EUR 4.9 million, amounting to EUR 0.8 (EUR 5.7 million), as a result of lower sales and the unprofitable operations in

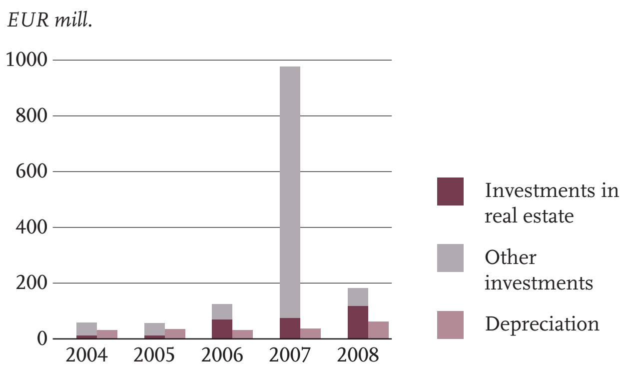
OPERATING PROFIT % OF REVENUE 2004-2008



DIVIDEND FOR THE FINANCIAL YEARS 2004-2008



INVESTMENTS AND DEPRECIATION 2004-2008



Russia. It was decided to discontinue operations in Russia as from the start of 2009.

Seppälä

Seppälä's sales in the financial year increased by 4 per cent on the previous year, totalling EUR 182.6 million. Sales in Finland were down 2 per cent, but showed strong growth in Russia, where they were buoyed by new stores and the good like-for-like sales trend. Sales abroad were up 19 per cent, and their share of Seppälä's total sales rose to 34 per cent (30 per cent). The relative gross margin was at the previous year's level. Because new stores were opened in rapid succession, fixed costs and depreciation grew faster than the gross margin, causing Seppälä's operating profit to decrease by EUR 6.1 million to EUR 14.6 million (EUR 20.7 million).

Financing and capital employed

Liquid assets totalled EUR 35.2 million at the close of the year, as against EUR 33.2 million a year earlier.

Interest-bearing liabilities at the end of the year were EUR 775.7 million (EUR 905.6 million), of which EUR 755.7 million consisted of long-term borrowing (EUR 855.4 million). In June, Stockmann carried out a EUR 137.4 million share issue targeted at institutional investors. The proceeds of the share issue were used to repay part of the long-term loan which Stockmann took out when it acquired AB Lindex (publ). Capital expenditures in the report period amounted to EUR 182.3 million. Net working capital amounted to EUR 150.9 million at the close of the year, as against EUR 193.9 million a year earlier. The decrease in net working capital was principally due to the reduction of goods in stock and the release of capital from the Department Store Division's trade receivables. Dividend payouts totalled EUR 75.2 million.

At the close of the year, the equity ratio was 39.0 per cent (32.6 per cent) and net gearing was 107.4 per cent (146.9 per cent).

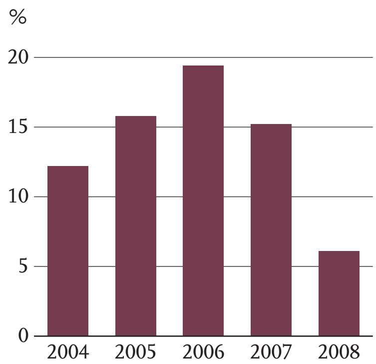
The return on capital employed over the past 12 months was 8.3 per cent (12.1 per cent). The Group's capital employed increased by EUR 37.8 million and stood at EUR 1 466.8 million (EUR 1 504.7 million) at the end of the financial year.

The financing package negotiated in conjunction with the Lindex acquisition was due to be refinanced by 30 September 2009. On 19 December 2008, Stockmann agreed on a loan financing package of EUR 1 000 million, the parties to which were Varma, the Nordic Investment Bank (NIB) and a banking consortium composed of Nordea, Pohjola, Handelsbanken and Danske Bank. The financing package is divided into separate elements, with maturity periods of 7, 5 and 3 years. The purpose of this solution is to ensure financing for Stockmann's main investments in the near future, which include the enlargement and renovation project of the Helsinki department store and the construction of the Nevsky Centre department store and shopping centre in St Petersburg, as well as for the Group's day-to-day operations. As a result of the decline in interest rates caused by the global financial crisis, it is estimated that this solution will significantly reduce Stockmann's financing expenses in 2009 compared with 2008.

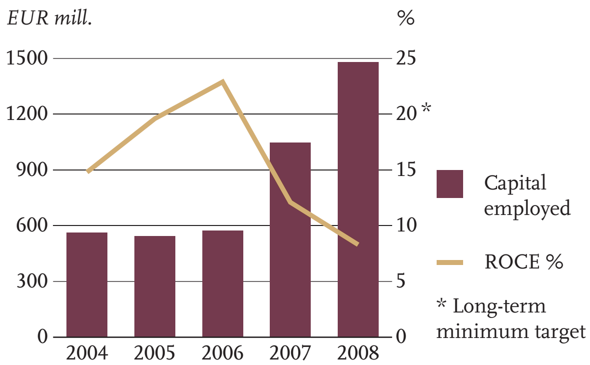
Dividends

In accordance with the resolution of the Annual General Meeting, a dividend of EUR 1.35 per share was paid on the 2007 financial year, or a total of EUR 75.2 million. The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.62 per share be paid on the 2008 financial year. The proposed dividend is 93 per cent of the earnings per share. The Board also proposes that it be authorised to decide at its discretion, by 31 December 2009, on the payment of a dividend of no more than EUR 0.38 per share, the company's financial standing permitting, in addition to the above-mentioned dividend decided by the Annual General Meeting.

RETURN ON EQUITY 2004-2008



CAPITAL EMPLOYED AND ROCE % 2004-2008



Acquisition of Lindex

The Finnish branch office of Stockmann Sverige AB, a Stockmann subsidiary, purchased 97.8 per cent of the shares in the Swedish fashion chain AB Lindex (publ) in December 2007 and the remaining shares in 2008. The cost of acquiring Lindex's entire share capital was EUR 851.7 million. Lindex's balance sheet items have been measured at fair value at the time of the acquisition. According to the final calculations, the balance sheet value of trademarks, customer and supplier agreements and inventories was a total of EUR 89.1 million greater than the carrying amount at the time of purchase, EUR 91.0 million.

In May, the Gothenburg Administrative Court of Appeal overturned the affirmative decisions which Lindex had received in the County Administrative Court concerning the deductibility under the Swedish tax system in the years 2004/2005 and 2005/2006 of losses amounting to approximately EUR 70 million made by the Lindex Group's company in Germany. Lindex has lodged an appeal with the highest court of justice against the ruling of the Administrative Court of Appeal. In accordance with the decision of the Administrative Court of Appeal, Lindex had to repay EUR 23.8 million in taxes and interest to the tax office. The repaid tax with interest increased the Group's goodwill by EUR 23.8 million, and the amount has no effect on the Group's earnings.

A total of EUR 746.2 million of the cost of acquiring Lindex has been allocated to goodwill. EUR 656.2 million of this has been allocated to the Lindex business segement, EUR 65 million to the Seppälä business segment and EUR 25 million to the Department Store Division business segment. The goodwill is denominated in Swedish krona, and, following the weakening of this currency, its value at the close of the financial year was EUR 646.5 million.

In the impairment testing carried out, no signs of impairment on any of the business segments were found. The acquisition cost for the business operations is presented in accordance with IFRS 3 in the tabular section of the financial statements bulletin.

New long-term financial targets

The Group's strategy and long-term targets were revised following the acquisition of Lindex. At its strategy meeting on 18 June 2008, the Stockmann Group Board of Directors confirmed the following five-year strategic guidelines and financial targets for the same period.

A revised objective of the Group is to attain a level of annual growth in all its markets that is above the average rate for these markets, and to obtain an operating profit margin of 12 per cent and a 20 per cent return on capital employed at the end of the strategy period in 2013. The return on capital employed during the initial phase of the period will be lower than in previous years due to the Group's significant investment programme. A further strategic objective is to raise the Group's equity ratio to at least 40 per cent.

The company's dividend policy remained unchanged despite the strong growth and vigorous investment programme. The target is to pay out in dividends more than half of the earnings derived from the company's ordinary operations, but taking into account the financing required to grow operations.

Capital expenditure

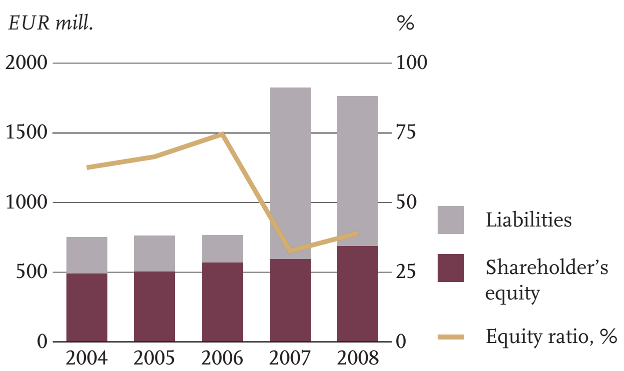
Capital expenditure during 2008 totalled EUR 182.3 million (EUR 977.4 million). Gross capital expenditure in 2009 is estimated to total approximately EUR 150 million.

Department Store Division

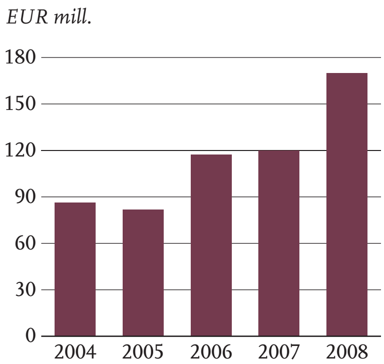
On 13 February 2009, Stockmann opened a new department store in leased premises in the Metropolis shopping centre near Moscow city centre. The department store has a total area of about 8 000 square metres. Stockmann's capital expenditure on the new location is approximately EUR 12 million, of which EUR 11.4 million was employed during 2008. Although Stockmann was forced to close its Smolenskaya department store due to the unlawful actions of the lessors, the company now has four department stores open for business in Moscow.

A major enlargement and transformation project is under way at the department store in the centre of Helsinki. The new premises will be opened in stages. The project involves expanding the department store's commercial premises by about 10 000 square metres by converting existing premises to

EQUITY RATIO 2004-2008



CASH FLOWS FROM OPERATING ACTIVITIES 2004-2008



commercial use and by building new retail space. In addition, new goods handling, servicing and customer parking areas will be built. After the enlargement, the Helsinki department store will have a total of about 50 000 square metres of retail space. The capital expenditure for the enlargement part of the project is estimated to be about EUR 250 million, in addition to which significant repair and renovation work has been and will be carried out in the old property in the course of the project. The new car park, goods handling areas and additional retail space will be opened during 2009. The project is expected to be completed in phases up to the end of 2010. During the financial year, the project required an investment of EUR 67.1 million.

In 2006, Stockmann purchased a commercial plot of approximately 10 000 square metres on Nevsky Prospect, St Petersburg's high street. The plot is located next to the Vosstaniya Square metro station and in the immediate vicinity of the Moscow railway station. On this plot, Stockmann will erect the Nevsky Centre shopping centre that will have about 100 000 square metres of gross floor space, of which about 50 000 square metres will be for stores and offices. A full-scale Stockmann department store with about 20 000 square metres of retail space has been planned for the shopping centre, along with other retail stores, office premises and an underground car park. The total investment is estimated at about EUR 185 million. The final building permit for the site was obtained at the start of March, and construction work is now under way. The building's foundation stone was laid on 17 October 2008. According to the current timetable, the building will be completed in summer 2010, and commercial operations are scheduled to start before the end of 2010. During the financial year, the project required an investment of EUR 27.4 million.

In Russia, Stockmann opened two new Nike stores and one Bestseller store.

Stockmann's credit-line Loyal Customer Card was relaunched in Finland as an international MasterCard as from April. In Latvia, where Stockmann had not previously had any Loyal Customer credit card, the new cards were introduced towards the end of 2008, and they went into use in Estonia in early 2009. The new arrangements for the cards are based on an agreement between Stockmann and Nordea concerning the transfer of the financing of Loyal Customer accounts to Nordea. Stockmann's MasterCard Loyal Customer Card with a credit facility was introduced to the Russian market in March 2008 in cooperation with Citibank. Stockmann has a total of about 1.7 million Loyal Customers in Finland, Russia and the Baltic countries.

The Department Store Division's capital expenditure totalled EUR 146.0 million.

Lindex

Lindex's capital expenditure totalled EUR 25.2 million. This was spent on opening new stores and refurbishing existing ones, and on the new distribution centre in Gothenburg, which entered into service at the turn of 2007/2008 and has operated at full capacity since the spring.

In August, Lindex opened its first Russian store, in St Petersburg. Lindex also opened four stores in Norway, three in Sweden, and two each in Finland, Estonia, Lithuania and the Czech Republic in 2008. Two stores were closed in Sweden and one store in Finland.

The Lindex chain expanded to Saudi Arabia, when its franchising partner Delta International Establishment opened its first five stores there in the autumn. The franchising partner makes the investments in the stores, recruits staff and is responsible for all retail operations.

Hobby Hall

Hobby Hall's head office moved into new leased premises in Helsinki in September. The division's new telephone system and the modernized cash register system will contribute to improving Hobby Hall's customer service. Hobby Hall's capital expenditure totalled EUR 3.1 million.

Seppälä

During 2008, Seppälä opened seven stores in Russia, five in Finland and three each in Estonia and Lithuania. The Stockmann Group's operations were expanded into Ukraine in late October, when the country's first Seppälä store was opened in Kharkov. In addition, 12 stores in Finland were refurbished according to the new store concept. One store in Finland was closed.

Seppälä's capital expenditure totalled EUR 7.2 million.

Other capital expenditure

The Group's other capital expenditure came to EUR 0.8 million.

AVERAGE NUMBER OF EMPLOYEES CONVERTED TO FULL-TIME STAFF

	2004	2005	2006	2007	2008
Department Store Division	5 400	6 057	6 418	6 943	**7 075**
Lindex*				282	**2 983**
Hobby Hall	608	537	515	550	**583**
Seppälä	759	809	890	1 100	**1 207**
Management and administration	104	100	100	105	**116**
Continuing operations, total	6 871	7 503	7 923	8 979	**11 964**
Discontinued operations	941	1 034	114		
Total	7 812	8 537	8 037	8 979	**11 964**

**Lindex from 6 December 2007*

New projects

Department Store Division

The Department Store Division has preliminary agreements for the opening of department stores in leased premises that are being or will be built in Ekaterinburg and north Moscow in Russia and in Vilnius, the capital of Lithuania. Due to the economic downturn, the implementation and timetable of these projects are being reassessed.

Lindex

Lindex plans to continue expanding in 2009, aiming to open about as many new stores as it did in 2008. The number of franchising stores will increase by about ten.

Hobby Hall

Hobby Hall's redesigned online store will be opened in 2009. The company's operations in Russia were discontinued as from the start of 2009.

Seppälä

Seppälä will open a total of 8 to 12 new stores in 2009, half of which will be in Russia and the rest in other countries where Seppälä currently has operations.

Shares and share capital

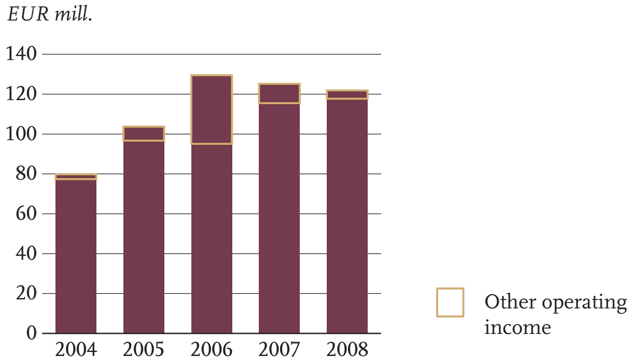
The company's market capitalization at the end of 2008 was EUR 611.6 million. At the end of 2007 the corresponding figure was EUR 1 659.8 million.

The trend in Stockmann's shares price during 2008 was below both the OMX Helsinki Cap index and the OMX Helsinki index. At the end of the year, the stock exchange price of the Series A shares was EUR 10.10, compared with EUR 29.50 at the end of 2007, and the Series B shares were selling at EUR 9.77, as against EUR 29.66 at the end of 2007.

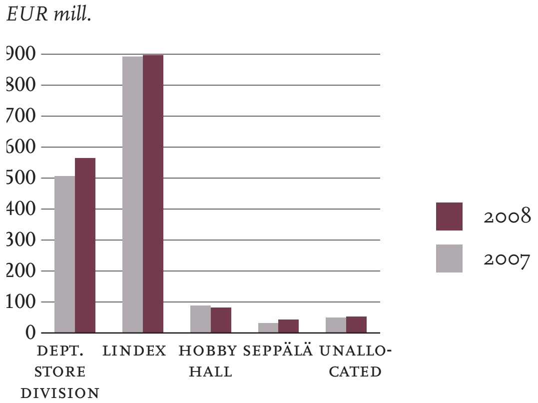
A total of 364 Stockmann plc Series B shares were subscribed with Stockmann Loyal Customer share options in May. The shares were entered in the Trade Register on 26 June 2008, and they became available for public trading, together with the existing shares, on the Helsinki exchange on 27 June 2008. As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

The 2008 Annual General Meeting authorized the Board of Directors to decide on the issuance of shares and on special rights entitling holders to shares under chapter 10, section 1 of the Limited Liability Companies Act, in one or more instalments. The Board of Directors was authorized to decide on the amount of Series A and Series B shares to be issued. However, the aggregate number of shares issued on the basis of the authorization may not exceed 15 000 000 shares. The issuance of shares and the special rights entitling holders to shares may be carried out in accordance with or deviating from the shareholders' pre-emptive rights (directed issue). The Board of Directors is authorized to decide on all the terms and conditions regarding the issue of shares and concerning the special rights referred to in chapter 10, section 1

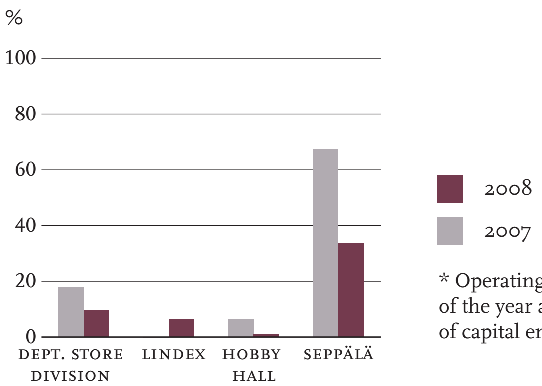
OPERATING PROFIT 2004-2008



CAPITAL EMPLOYED 2007-2008



ROCE %* 2007-2008



* Operating profit of the year as a ratio of capital employed

of the Limited Liability Companies Act. The authorization will be valid for up to three years.

In accordance with the authorization granted by the Annual General Meeting, the Board of Directors decided on a directed share issue of 5 609 360 new shares, which was carried out on 23 June 2008. In the share issue, subscriptions were made for 2 456 424 Stockmann plc Series A shares and 3 152 936 Stockmann plc Series B shares, all at EUR 24.50 per share. Of the Series A shares subscribed, 438 618 were converted to Series B shares. As a consequence of the share subscriptions and conversions, 2 017 806 Series A shares and 3 591 554 Series B shares were entered in the Trade Register on 27 June 2008, and they were made available for public trading on the Helsinki exchange, together with the existing shares, on 27 June 2008. Following the directed issue, a further 9 390 640 shares may still be subscribed on the basis of the authorization.

Following the above-mentioned registrations, Stockmann's share capital increased to EUR 123 406 672. On 31 December 2008, Stockmann had 26 582 049 Series A shares and 35 121 287 Series B shares.

Stockmann held 364 321 of its own Series B shares (treasury shares) at the end of 2008. They comprised 0.6 per cent of all the shares and represented 0.1 per cent of all the votes. Their acquisition price was a total of EUR 5.5 million.

The Annual General Meeting in 2007 authorized the Board of Directors to decide on the transfer of the company's own Series B shares in one or more instalments. The authorization remains valid for five years. Stockmann's Board of Directors has no valid authorizations to purchase Stockmann shares.

Board of directors' proposals to the annual general meeting

The Board of Directors proposes to the Annual General Meeting to be convened on 17 March 2009, that the voting restriction referred to in Article 3 of the Articles of Association, whereby no-one at a General Meeting can cast more than one fifth of the votes represented at the meeting, be removed. In addition, the Board of Directors proposes that Article 5 of the Articles of Association be amended in such a way as to remove the upper age limit applying to persons to be elected as members of the Board of Directors. At present, anyone who has reached the age of 65 years cannot be elected a member of the Board of Directors.

The Board of Directors also proposes to the Annual General Meeting that the terms applying to the 2008 Loyal Customer share options be amended such that the subscription price for shares subscribed under these options is the volume-weighted average price of the Series B share on the Helsinki exchange during the period 1 February – 28 February 2009. Under the Loyal Customer share option terms approved by the Annual General Meeting in 2008, the determination period for the subscription price was 1 February – 29 February 2008. In other respects the terms applying to the option rights would remain unchanged.

Number of employees

The Group had an average payroll of 15 669 employees in 2008, an increase of 4 508 on the 2007 figure of 11 161 employees (10 069 in 2006). The increase in the number of employees was attributable in large part to the acquisition of Lindex in December 2007, though there was steady growth in the number of staff employed by the other divisions. Converted to full-time equivalents, Stockmann's average number of employees grew by 2 985, to 11 964 employees (8 979 in 2007 and 8 037 in 2006). The Group's total wages and salaries amounted to EUR 279.8 million, up by EUR 97.8 million on the corresponding figure for 2007 (EUR 181.9 million; EUR 167.9 million in 2006).

At the end of 2008, Stockmann had 8 072 employees working abroad. The corresponding total for the end of the previous year was 8 294 employees. The proportion of employees working abroad was 51 per cent of the total personnel (50 per cent).

Major events after the close of the financial year

Stockmann develops its distance retailing business

On 9 January 2009, Stockmann announced its strategic objective of integrating Hobby Hall with the Department Store Division's operations as from the start of 2010. Hobby Hall will continue as an independent division until the end of 2009, its objective being to improve its profitability and prepare for the integration process during the year. As part of the measures aimed at boosting Hobby Hall's profitability, its distance retailing in Russia was discontinued as from the start of 2009.

Raija-Leena Söderholm, lately the Buying Director in the Department Store Division, has been appointed as the Department Store Division's director of distance retailing and will take up these duties as from 1 January 2010. Söderholm took up the post of Managing Director at Hobby Hall on 1 February 2009, and began preparations for the integration process. She will also participate in the work of the Stockmann Group's Management Committee until the end of 2009.

Risk factors

The Group has business operations in Finland, Sweden, Norway, Russia and the Baltic countries, as well as in the Czech Republic and Ukraine, in both of which operations are in their start-up phase. The business environments in the Stockmann Group's areas of operations have varying risk levels. The level of business risk in the Baltic countries has diminished significantly since these countries became members of the European Union and, apart from the risks concerning uncertainty in currency exchange rates and a continuation of the downturn in their economies, the risks do not differ in any material respect from business risks in Finland. A strong downturn in the economy could nevertheless affect the operating conditions for retailing in the Baltic countries.

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 undeveloped state of the infrastructure in the country. The black economy is still considerable, particularly in the import of consumer goods, and plays a part in distorting competition. In recent years, however, the operating environment and legislation pertaining to business activities have evolved in a favourable direction. Russia's sustained period of economic growth showed a significant slow down towards the end of 2008, as income from energy sector exports dwindled and the value of the Russian rouble fell. The trend in energy prices will have a significant effect on the state of the Russian economy in the next few years.

The global economic downturn is influencing consumers' purchasing behaviour and having an impact on purchasing power in all of the Group's market areas. The decline in demand is also affecting Stockmann's sales and profitability. Stockmann is addressing the situation by maintaining the level of sales, launching campaigns, striving to optimize its procurements in line with demand, and boosting the efficiency of operations. Due to the global financial crisis Stockmann will have to reassess its programme of capital expenditure, which is based on its long-term strategy. It is likely that part of the expenditure programme will have to be postponed or even abandoned completely as a result of a significant deterioration in the growth outlook. The expansion and transformation project in progress at the Helsinki department store and the construction of the Nevsky Centre department store and shopping centre in St Petersburg will be carried through as planned.

Fashion accounts for about half 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 major exceptional situations, these factors are not expected to have a material effect on the Group's sales or earnings.

The Group's operations are based on flexible logistics and efficient flows of goods. Delays or disturbances in the flow of goods and information can have a temporary adverse effect on operations. Every effort is made to control these operational risks by developing appropriate back-up systems and alternative ways of operating and by making every effort to minimize disturbances to information systems. Operational risks are also met by taking out insurance cover. Operational risks are not considered to have any significant effects 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 US dollar and certain other currencies. Financial risks, including risks arising from interest rate fluctuations, are managed in accordance with the risk policy confirmed by the Board of Directors, and these risks are not considered to have a significant effect on the Group's business operations.

AB Lindex (publ) has pending legal proceedings in the highest court of justice concerning the eligibility for deduction in Swedish taxation of losses of about EUR 70 million incurred by the Lindex Group's subsidiary in Germany. Lindex paid the disputed taxes with interest in 2008, a total of EUR 23.8 million, which has been recognized as an increase in the company's goodwill. Any taxes and interest repaid as a result of a favourable verdict in the case will be recorded in earnings.

Lindex has also demanded rectification in regard to the presumptive income tax on 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.

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

The Stockmann Group has no other major legal proceedings pending.

Outlook for 2009

The economic downturn has swept rapidly and forcefully through the global economy. Consumer demand has weakened in all of Stockmann's market areas, making it extremely difficult to forecast the future trend.

It is likely that all of Stockmann's market areas will experience an economic downturn during the year, recording negative growth. In Russia, developments are to a large extent dependent on the price of energy.

Sales will be down on the previous year's figures, especially in the first and second quarters of 2009, as retail sales were still brisk in all markets in the first half of 2008. In the latter half of 2009, sales are expected to improve in relative terms, when compared against the weakened figures for the second half of 2008. Operating profit for the first quarter of the year will be in the red and weaker than in the previous year.

Stockmann has launched a series of adjustment measures to adjust to the conditions of lower demand. Financing costs will be clearly lower than in 2008. The aim is a positive cash flow after net capital expenditure and to maintain the profitability of operations at a good level during 2009.

Financial reporting

The accounting policies and calculation methods applied are the same as those in the 2007 financial statements.

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 the Helsinki exchange. The number of registered shareholders at 31 December 2008 was 42 888 (39 137 shareholders at 31 December 2007) representing 99.9 per cent of the company's shares outstanding.

Shares

General price trend

Share prices fell on the Helsinki exchange during the financial year by 53.4 per cent as measured by the OMX Helsinki Index and by 50.1 per cent as measured by the OMX Helsinki Cap Index.

PRICE TREND OF STOCKMANN'S SHARES

	Closing prices 31 Dec. 2008 EUR	Closing prices 31 Dec. 2007 EUR	Change %
Series A	10.10	29.50	-65.8
Series B	9.77	29.66	-67.1

TURNOVER OF STOCKMANN'S SHARES

	Number of shares	% of total shares outstanding	EUR	Average price EUR
Series A	858 815	3.2	19 103 002	20.35
Series B	29 327 062	83.5	591 872 444	20.90
Total	30 185 877		610 975 446	

The Stockmann shares and share options that were traded accounted for 0.2 per cent of the share turnover on the Helsinki exchange. The company's market capitalization at 31 December 2008 was EUR 611.6 million. The market capitalization at 31 December 2007 was EUR 1 659.8 million.

SHARE CAPITAL OF STOCKMANN PLC, 31 DECEMBER 2008

Series A	26 582 049	shares at 2 euro each	53 164 098	EUR
Series B	35 121 287	shares at 2 euro each	70 242 574	EUR
Total	61 703 336		123 406 672	EUR

Loyal Customer share options 2006

The Annual General Meeting held on 21 March 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 1 January 2006 – 31 December 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 31 December 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 the Helsinki exchange during the period 1 February – 28 February 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 remaining subscription periods for the shares are 4 May 2009 – 31 May 2009 and 2 May 2010 – 31 May 2010. The subscription price after the dividend payout proposed by the Board of Directors for the 2008 financial year is EUR 28.98. If, in addition to the dividend payout, the Board's authorization to pay a dividend will be carried out completely, the subscription price is EUR 28.60. In the spring 2008, a total of 1 373 846 Stockmann plc's Loyal Customer share options were subscribed. During the share subscription period in 2008, a total of 364 Stockmann plc Series B shares with a par value of EUR 2.00 were subscribed.

Key employee share options 2006

The Annual General Meeting held on 21 March 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 1 March 2008 – 31 March 2010; with share option 2006B, 1 March 2009 – 31 March 2011; with share option 2006C, 1 March 2010 – 31 March 2012; and with share option 2006D, 1 March 2011 – 31 March 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 the Helsinki exchange during 1 February – 28 February 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 the Helsinki exchange during 1 February – 29 February 2008, plus 10 per cent or EUR 31.02. 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 2008 financial year on the basis of option A and option B is EUR 32.32 per share and of option C and option D EUR 29.05 per share. If, in addition to the dividend payout, the Board's authorization to pay a dividend will be carried out completely, the subscription price of option A and option B is EUR 31.94, and the subscription price for option C and D is EUR 28.67.

Loyal Customer share options 2008

The Annual General Meeting held on 18 March 2008 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 1 January 2008 – 31 December 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. The subscription price is the volume-weighted average price of the Series B share on the Helsinki exchange during the period 1 February – 29 February 2008, or EUR 28.20. 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 in May in the years 2011 and 2012. The subscription price after the dividend payout proposed by the Board of Directors for the 2008 financial year is EUR 26.23. If, in addition to the dividend payout, the Board's authorization to pay a dividend will be carried out completely, the subscription price of option is EUR 25.85.

The Board of Directors proposes to the Annual General Meeting of 17 March 2009 that the terms applying to the 2008 Loyal Customer share options be amended such that the subscription price for shares subscribed under these options is the volume-weighted average price of the Series B share on the Helsinki exchange during the period 1 February – 28 February 2009. In other respects the terms applying to the option rights would remain unchanged.

Own shares

At 31 December 2008, the company held 364 321 of its own Series B shares. The Series B shares owned by the company represent 0.6 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 more than 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 1 JANUARY 2004

Subscribed		Entered in the Trade Register	Subscription price EUR	Number of new shares	Additional share capital EUR million	New total share capital EUR million
2004	With share options	2004	13.21	20 300 B	0.0	105.3
2004	With the Loyal Customer options	2004	10.81	600 269 B	1.2	106.5
2004	With the 2000 key employee options A	2004	14.95	91 950 B	0.2	106.7
2004	With the 2000 key employee options B	2004	15.95	78 200 B	0.2	106.8
2004	With the 2000 key employee options A	2005	14.95	4 900 B	0.0	106.8
2005	With the Loyal Customer options	2005	8.81	343 902 B	0.7	107.5
2005	With the 2000 key employee options A	2005	13.95	199 300 B	0.4	107.9
2005	With the 2000 key employee options B	2005	14.95	145 880 B	0.3	108.2
2005	With the 2000 key employee options C	2005	15.95	345 650 B	0.7	108.9
2005	With the 2000 key employee options A	2006	13.95	5 200 B	0.0	108.9
2005	With the 2000 key employee options B	2006	14.95	10 050 B	0.0	108.9
2005	With the 2000 key employee options C	2006	15.95	8 100 B	0.0	109.0
2006	With the 2000 key employee options A	2006	12.85	216 593 B	0.4	109.4
2006	With the 2000 key employee options B	2006	13.85	265 688 B	0.5	109.9
2006	With the 2000 key employee options C	2006	14.85	696 715 B	1.4	111.3
2006	With the 2000 key employee options A	2007	12.85	63 385 B	0.1	111.5
2006	With the 2000 key employee options B	2007	13.85	62 645 B	0.1	111.6
2006	With the 2000 key employee options C	2007	14.85	66 835 B	0.1	111.7
2007	With the 2000 key employee options C	2007	14.85	18 000 B	0.0	111.7
2007	With the 2000 key employee options A	2007	11.55	43 572 B	0.1	111.8
2007	With the 2000 key employee options B	2007	12.55	62 537 B	0.1	112.0
2008	With the 2000 key employee options C	2007	13.55	114 600 B	0.2	112.2
2008	Directed Issue	2008	24.50	2 017 806 A	4.0	116.2
2008	Directed Issue	2008	24.50	3 591 554 B	7.2	123.4
2008	With the 2006 Loyal Customer options	2008	29.60	364 B	0.0	123.4

Coming subscriptions with share options*

		Subscription period	Subscription price EUR	Number of new shares thousands	Additional share capital EUR million	New total share capital EUR million	Holding %	Proportion of votes %
2009–	With the 2006 Loyal Customer options	May 4, 09–May 31, 09	33.35/1					
2010		May 2, 10–May 31, 10	33.35/1	2 500 B	5.0	128.4	3.7	0.8
			less dividends after March 21, 2006					
2011–	With the 2008 Loyal Customer options	May 2, 11–May 31, 11	28.20 /2					
2012		May 2, 12–May 31, 12	28.20 /2		5.0	133.4	3.7	0.8
			less dividends after March 18, 2008					
2009–	With the 2006A key employee options	March 1, 09–March 31, 10	36.69 A/3	375 B				
2011	With the 2006B key employee options	March 1, 09–March 31, 11	36.69 B/4	187 B				
2010–	With the 2006C key employee options	March 1, 10–March 31, 12	31.02 B/5	375 B				
2013	With the 2006D key employee options	March 1, 11–March 31, 13	31.02 B/6	375 B	2.6	136.0	1.9	0.4
			less dividends after March 21, 2006					

Board proposal to AGM
*If all options are exercised
1 Subscription price after 2008 dividend payout proposed by the Board of Directors: EUR 28.98
2 Subscription price after 2008 dividend payout proposed by the Board of Directors: EUR 26.23
3 Subscription price after 2008 dividend payout proposed by the Board of Directors: EUR 32.32
4 Subscription price after 2008 dividend payout proposed by the Board of Directors: EUR 32.32
5 Subscription price after 2008 dividend payout proposed by the Board of Directors: EUR 29.05
6 Subscription price after 2008 dividend payout proposed by the Board of Directors: EUR 29.05

The Board's authorization to pay a dividend
1 Subscription price after 2008 dividend payout proposed by the Board of Directors: EUR 28.60
2 Subscription price after 2008 dividend payout proposed by the Board of Directors: EUR 25.85
3 Subscription price after 2008 dividend payout proposed by the Board of Directors: EUR 31.94
4 Subscription price after 2008 dividend payout proposed by the Board of Directors: EUR 31.94
5 Subscription price after 2008 dividend payout proposed by the Board of Directors: EUR 28.67
6 Subscription price after 2008 dividend payout proposed by the Board of Directors: EUR 28.67

OWNERSHIP STRUCTURE

	no.	Shareholders %	Percentage of shares %	Percentage of votes %
Households	41 262	96.2	21.4	18.4
Private and public corporations	875	2.0	13.1	15.5
Financial and insurance companies	60	0.1	5.6	1.8
Foundations and others	512	1.2	52.5	62.1
Foreign shareholders (incl. nominee registrations)	178	0.4	6.9	2.1
Unregistered shares			0.1	0.0
Shares owned by the company	1		0.6	0.1
Total	42 888	100.0	100.0	100.0

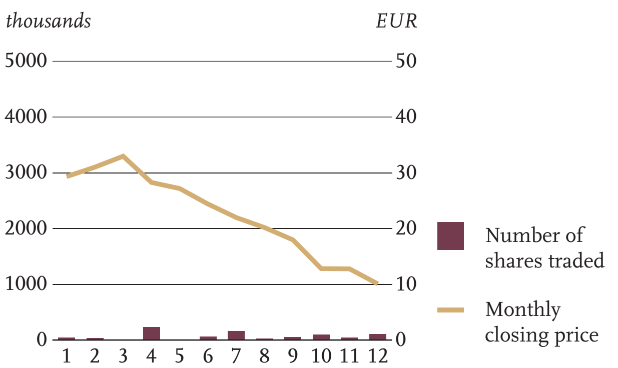
NUMBER OF SHARES

	no.	Shareholders %	Percentage of shares %
1–100	27 873	65.0	1.5
101–1 000	12 226	28.5	7.5
1 001–10 000	2 525	5.9	10.6
10 001–100 000	213	0.5	9.6
100 001–1 000 000	37	0.1	20.2
1 000 001–	14		50.6
Total	42 888	100.0	100.0

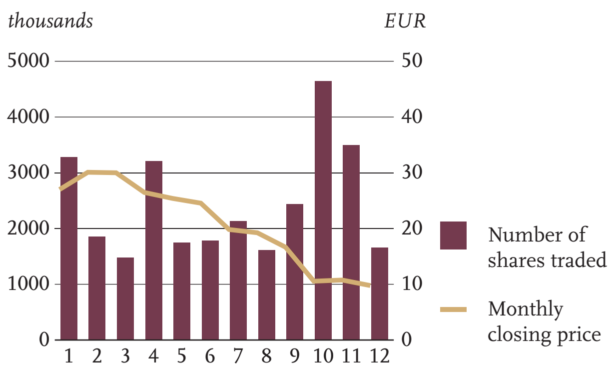
MAJOR SHAREHOLDERS AT 31 DECEMBER 2008

		Percentage of shares %	Percentage of votes %
1	Föreningen Konstsamfundet grouping	10.3	15.4
2	Svenska litteratursällskapet i Finland r.f.	8.6	17.2
3	Niemistö grouping	6.4	10.3
4	Etola Group	4.7	6.6
5	Stiftelsen för Åbo Akademi	4.5	6.8
6	Varma Mutual Pension Insurance Company	3.1	1.8
7	Ilmarinen Mutual Pension Insurance Company	2.7	1.1
8	The Local Government Pensions Institution	2.6	0.5
9	Samfundet Folkhälsan i svenska Finland	2.4	2.9
10	Jenny ja Antti Wihurin rahasto	2.1	2.3
11	Inez och Julius Polins fond	1.7	0.9
12	Tapiola Mutual Pension Insurance Company	1.6	0.3
13	Sigrid Jusélius Stiftelse	1.5	3.0
14	Wilhelm och Else Stockmanns Stiftelse	1.2	2.4
15	The State Pension Fund	1.1	0.2
16	Helene och Walter Grönqvists Stiftelse	0.9	1.5
17	Stiftelsen Bensows Barnhem Granhyddan	0.9	1.1
18	Stiftelsen Brita Maria Renlunds minne	0.7	0.9
19	Stockmann plc	0.6	0.1
20	Suomi Mutual Life Assurance Company	0.6	0.1
Total		58.2	75.4

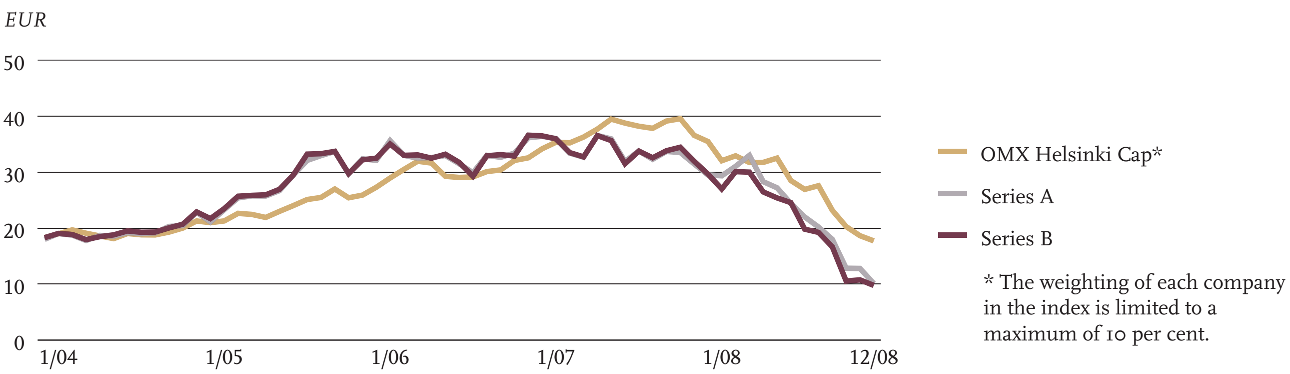
TURNOVER AND PRICE TREND OF SERIES A SHARES 2008



TURNOVER AND PRICE TREND OF SERIES B SHARES 2008

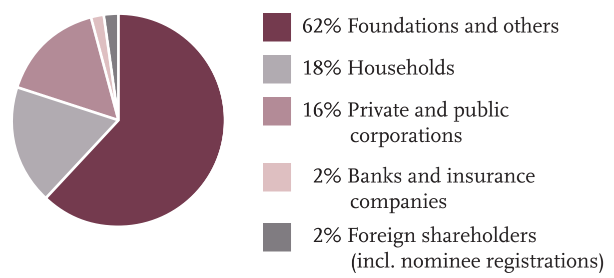


PRICE TREND OF SERIES A AND SERIES B (SHARE-ISSUE ADJUSTED) COMPARED WITH OMX HELSINKI CAP INDEX 2004-2008

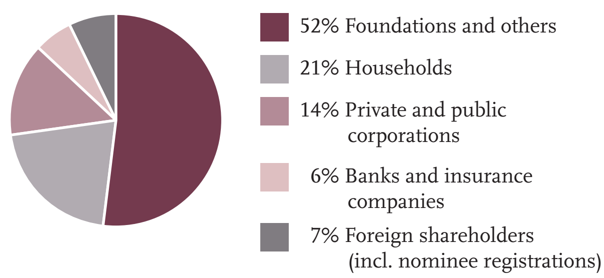


* The weighting of each company in the index is limited to a maximum of 10 per cent.

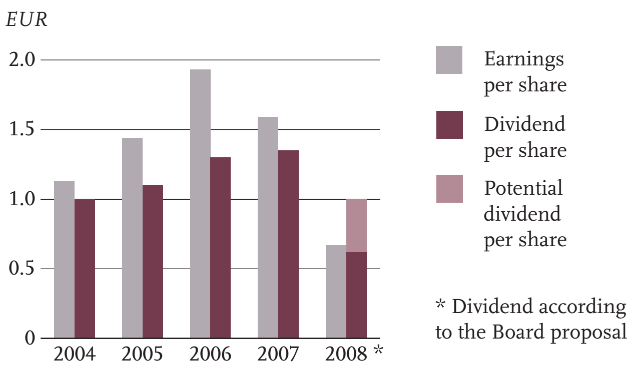
DISTRIBUTION OF VOTES



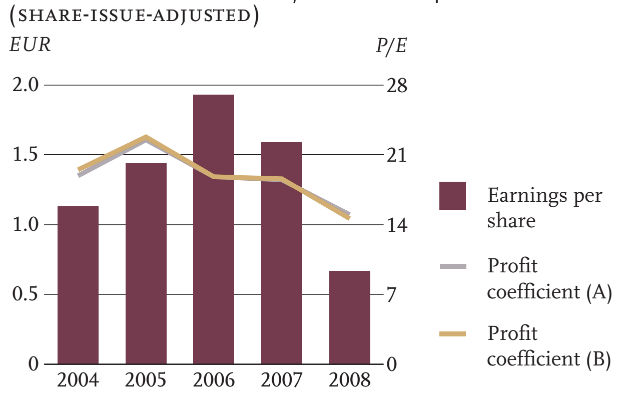
DISTRIBUTION OF SHARES



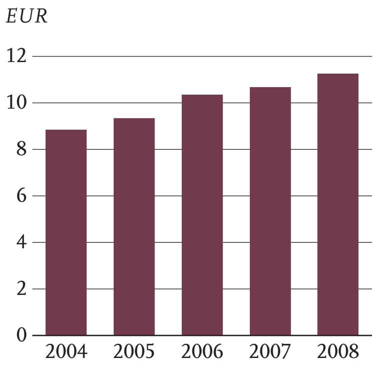
EARNINGS PER SHARE AND DIVIDEND PER SHARE 2004-2008



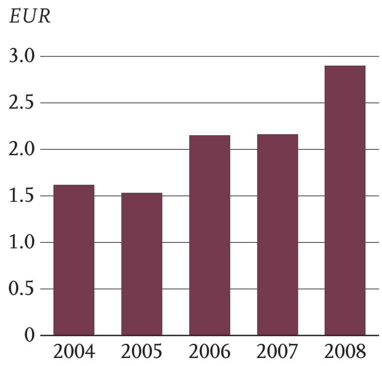
EARNINGS PER SHARE AND P/E RATIO 2004-2008 (SHARE-ISSUE-ADJUSTED)



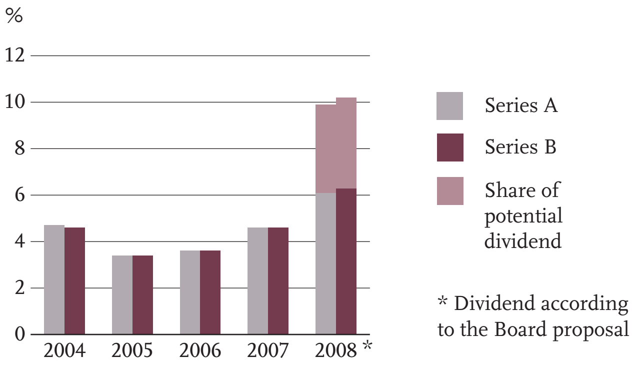
EQUITY PER SHARE 2004-2008



CASH FLOWS PER SHARE 2004-2008



EFFECTIVE YIELD OF SHARES 2004-2008



Key figures

		2004	2005	2006	2007	**2008**
Sales	EUR mill.	1 735.0	1 851.3	1 552.6	1 668.3	**2 265.8**
Change on the previous year	%	2.1	6.7	-16.1	7.4	**35.8**
Net turnover	EUR mill.	1 445.0	1 542.6	1 300.7	1 398.2	**1 878.7**
Change on the previous year	%	2.3	6.7	-15.7	7.5	**34.4**
Operating profit	EUR mill.	79.8	103.7	129.5	125.2	**121.9**
Change on the previous year	%	21.4	29.9	24.9	-3.4	**-2.6**
Share of net turnover	%	5.5	6.7	10.0	9.0	**6.5**
Profit before taxes	EUR mill.	78.9	102.8	128.9	119.4	**71.7**
Change on the previous year	%	6.7	30.2	25.4	-7.4	**-39.9**
Share of net turnover	%	5.5	6.7	9.9	8.5	**3.8**
Share capital	EUR mill.	106.8	109.0	111.7	112.2	**123.4**
Series A	EUR mill.	49.1	49.1	49.1	49.1	**53.2**
Series B	EUR mill.	57.7	59.8	62.6	63.1	**70.2**
Dividends	EUR mill.	53.0	59.5	72.1	75.2	
Board proposal to AGM *	EUR mill.					**38.0**
The Board's authorization to pay a dividend**	EUR mill.					**23.3**
Return on equity	%	12.2	15.8	19.4	15.2	**6.1**
Return on capital employed	%	14.8	19.6	22.9	12.1	**8.3**
Capital employed	EUR mill.	562.5	544.2	573.8	1 047.2	**1 482.1**
Capital turnover rate		2.6	2.8	2.3	1.3	**1.3**
Inventories rate		4.9	4.7	5.0	4.3	**4.4**
Equity ratio	%	62.5	66.4	74.5	32.6	**39.0**
Net gearing	%	5.7	5.7	-6.3	146.9	**107.4**
Investment in fixed assets	EUR mill.	59.0	57.0	125.5	977.4	**182.3**
Share of net turnover	%	4.1	3.7	9.6	69.9	**9.7**
Interest-bearing debtors	EUR mill.	116.6	111.8	98.9	98.8	**52.2**
Interest-bearing liabilities	EUR mill.	68.0	47.2	23.4	905.6	**775.7**
Interest-bearing net debt	EUR mill.	-89.9	-83.3	-134.7	773.6	**688.2**
Total assets	EUR mill.	749.0	761.5	767.6	1 823.7	**1 765.0**
Staff expenses	EUR mill.	202.2	218.0	204.7	224.1	**350.5**
Share of net turnover	%	14.0	14.1	15.7	16.0	**18.7**
Personnel, average	persons	7 626	10 558	10 069	11 161	**15 669**
Net turnover per person	EUR thousands	150.7	146.1	129.2	125.3	**119.9**
Operating profit per person	EUR thousands	8.3	9.8	12.9	11.2	**7.8**
Staff expenses per person	EUR thousands	21.1	20.6	20.3	20.1	**22.4**

*) Board proposal to the AGM. According to the proposal, a dividend of EUR 0.62 per share will be paid.

**) Board of Directors' proposal to the Annual General Meeting that the Board be authorised to decide at its discretion later in 2009, Stockmann's financial standing permitting, on the payment of a dividend up to EUR 0.38 per share.

Per-share data

		2004	2005	2006	2007	**2008**	
Earnings per share	EUR	1.13	1.44	1.93	1.59	**0.67**	
Earnings per share, diluted	EUR	1.11	1.42	1.90	1.58	**0.67**	
Equity per share	EUR	8.83	9.34	10.34	10.66	**11.24**	
Dividend per share	EUR	1.00	1.10	1.30	1.35		
Board proposal to AGM *	EUR					**0.62**	
The Board's authorization to pay a dividend**	EUR					**0.38**	
Dividend per earnings	%	88.5	76.4	67.4	84.9		
Board proposal to AGM *	%					**93.0**	
The Board's authorization to pay a dividend**	%					**57.0**	
Cash flow per share	EUR	1.62	1.53	2.16	2.16	**2.90**	
Effective dividend yield							
Board proposal to AGM *	%						
Series A		4.7	3.4	3.6	4.6	**6.1**	
Series B		4.6	3.4	3.6	4.6	**6.3**	
The Board's authorization to pay a dividend**	%						
Series A						**3.8**	
Series B						**3.9**	
P/E ratio of shares							
Series A		18.7	22.3	18.9	18.6	**15.1**	***
Series B		19.2	22.6	18.9	18.7	**14.7**	***
Share quotation at December 31	EUR						
Series A		21.10	32.11	36.40	29.50	**10.10**	
Series B		21.70	32.53	36.48	29.66	**9.77**	
Highest price during the period	EUR						
Series A		23.74	37.00	38.10	37.49	**34.75**	
Series B		23.82	35.82	38.44	37.84	**32.00**	
Lowest price during the period	EUR						
Series A		17.56	20.65	28.70	29.05	**10.10**	
Series B		17.02	21.51	28.11	29.47	**9.33**	
Average price during the period	EUR						
Series A		19.23	29.13	33.85	33.90	**20.35**	
Series B		20.82	28.67	33.15	33.77	**20.90**	
Share turnover	thousands						
Series A		1 054	825	819	695	**859**	
Series B		10 979	14 665	19 440	20 682	**29 327**	
Share turnover	%						
Series A		4.3	3.4	3.3	2.8	**3.2**	
Series B		38.0	49.1	62.5	65.6	**83.5**	
Market capitalization at December 31	EUR mill.	1 140.8	1 761.3	2 028.6	1 659.8	**611.6**	
Number of shares at December 31	thousands	53 420	54 460	55 662	56 094	**61 703**	
Series A		24 564	24 564	24 564	24 564	**26 582**	
Series B		28 856	29 895	31 098	31 529	**35 121**	
Weighted average number of shares	thousands	52 544	53 350	54 310	55 606	**58 609**	
Series A		24 598	24 564	24 564	24 564	**26 582**	
Series B		27 946	28 786	29 746	31 042	**32 027**	
Weighted average number of shares, diluted	thousands	53 509	54 129	55 178	55 815	**58 609**	
The own shares owned by the company	thousands	407	397	383	370	**364**	
Series A							
Series B		407	397	383	370	**364**	
Total number of shareholders at December 31		33 026	42 169	40 198	39 137	**42 888**	

*) Board proposal to the AGM. According to the proposal, a dividend of EUR 0.62 per share will be paid.

**) Board of Directors' proposal to the Annual General Meeting that the Board be authorised to decide at its discretion later in 2009, Stockmann's financial standing permitting, on the payment of a dividend up to EUR 0.38 per share.

***) The dilution effect of options has been taken into account in the 2008 figures.

Definition of key indicators

Profit before taxes	=		Operating profit + financial income - financial expenses
Return on equity, %	=	100 x	Profit for the period / Equity + minority interest (average over the year)
Return on capital employed, %	=	100 x	Profit before taxes + interest and other financial expenses / Capital employed
Capital employed	=		Total assets less deferred tax liability and other non-interest-bearing liabilities (average over the year)
Capital turnover rate	=		Revenue / Total assets less deferred tax liability and other non-interest-bearing liabilities (average over the year)
Inventories rate			365 / Inventories turnover time
Equity ratio, %	=	100 x	Equity + minority interest / Total assets less advance payments received
Net gearing, %	=	100 x	Interest-bearing liabilities less cash and cash equivalents / Equity total
Interest-bearing net debt	=		Interest-bearing liabilities less cash and cash equivalents less interest-bearing liabilities
Earnings per share	=		Profit before taxes - minority interest - income taxes / Average number of shares, adjusted for share issues 1)
Equity per share	=		Equity - fund for own shares / 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	Dividend per share / Earnings per share
Cash flow per share	=		Cash flow from operating activities / Average number of shares, adjusted for share issues 1)
Effective dividend yield, %	=	100 x	Dividend per share, adjusted for share issues / Share quotation at December 31, adjusted for share issues
P/E ratio of shares	=		Share quotation at December 31, adjusted for share issues / Earnings per share
Share quotation at Dec. 31	=		Share quotation on the balance sheet date, adjusted for share issues
Highest share price during the period	=		Highest price of the company's shares during the period, adjusted for share issues
Lowest share price during the period	=		Lowest price of the company's shares during the period, adjusted for share issues
Average share price over the period	=		Share turnover in euro terms divided by the number of shares traded during the period, adjusted for share
Share turnover	=		Quantitative share turnover, adjusted for share issues
Market capitalization at December 31	=		Number of shares multiplied by the quotation for the respective share series on the balance sheet date

1) Without the own shares owned by the company

Consolidated income statement

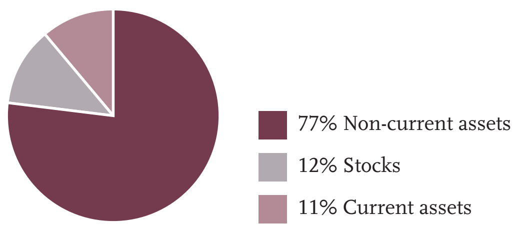
EUR mill.	Ref.	Jan.1- Dec. 31, 2008	% of Rev.	Jan.1- Dec. 31, 2007	% of Rev.
REVENUE	**2**	**1 878.7**	**100.0**	1 398.2	100.0
Other operating income	**4**	**4.2**	**0.2**	9.7	0.7
Raw material and consumables used		**969.6**		798.8	
Change in inventories, increase (-), decrease (+)		**2.1**		-7.6	
Raw material and consumables used, total	**5**	**971.7**	**51.7**	791.2	56.6
Wages, salaries and employee benefits expenses	**6**	**350.5**	**18.7**	224.1	16.0
Depreciation and impairment losses	**7**	**61.4**	**3.3**	36.9	2.6
Other operating expenses	**8**	**377.4**	**20.1**	230.6	16.5
		1 761.0	**93.7**	1 282.7	91.7
OPERATING PROFIT		**121.9**	**6.5**	125.2	9.0
Financial income	**9**	**1.6**	**0.1**	1.3	0.1
Financial expenses	**9**	**-51.7**	**-2.8**	-7.0	-0.5
PROFIT BEFORE TAXES		**71.7**	**3.8**	119.4	8.5
Income taxes	**10**	**32.7**	**1.7**	31.1	2.2
PROFIT FOR THE PERIOD		**39.1**	**2.1**	88.4	6.4
ATTRIBUTABLE TO:					
Equity holders of the parent company		**39.1**		88.4	
Minority interest		**0.0**			
		39.1		88.4	
Earnings per share		**2008**		2007	
Basic		**0.67**		1.59	
Diluted		**0.67**		1.58	
Average number of shares, thousands		**2008**		2007	
Basic		**58 609**		55 606	
Diluted		**58 609**		55 815	

Consolidated balance sheet

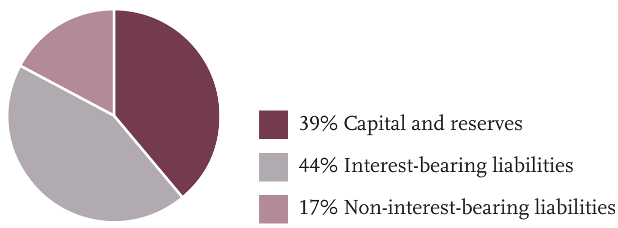
	Ref.	Dec. 31, 2008 EUR mill.	Dec. 31, 2007 EUR mill.
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	12		
Goodwill		646.5	720.0
Brand		84.4	96.4
Intangible rights		24.5	21.6
Other intangible assets		3.2	6.5
Intangible assets, total		758.5	844.5
Property, plant and equipment	13		
Land and water		37.0	38.8
Buildings and constructions		158.2	136.1
Machinery and equipment		96.2	97.5
Modification and renovation expenses for leased premises		49.4	59.8
Advance payments and construction in progress		246.9	144.5
Property, plant and equipment, total		587.5	476.8
Available-for-sale investments	15	6.6	6.5
Non-current receivables	23	1.6	1.7
Deferred tax assets	22	4.5	5.3
NON-CURRENT ASSETS, TOTAL		1 358.8	1 334.8
CURRENT ASSETS			
Inventories	16	220.3	244.4
Current receivables	17.23		
Receivables, interest-bearing		52.2	98.8
Receivables, non-interest-bearing		83.2	110.4
Income tax receivable		15.2	2.1
Current receivables, total		150.6	211.3
Cash and cash equivalents	18.23	35.2	33.2
CURRENT ASSETS, TOTAL		406.2	488.9
ASSETS, TOTAL		1 765.0	1 823.7

	Ref.	Dec. 31, 2008 EUR mill.	Dec. 31, 2007 EUR mill.
EQUITY AND LIABILITIES			
EQUITY	**19**		
Share capital		**123.4**	112.2
Share premium fund		**186.1**	186.0
Other funds		**169.6**	44.6
Translation difference		**-6.8**	0.0
Retained earnings		**216.9**	250.9
Equity attributable to equity holders of the parent		**689.1**	593.8
Minority interest			0.0
EQUITY, TOTAL		**689.1**	593.8
NON-CURRENT LIABILITIES			
Deferred taxes liabilities	**22**	**78.1**	57.3
Non-current liabilities, interest-bearing	**20.23**	**755.7**	855.4
Provisions for pensions	**24**	**1.4**	3.2
Non-current provisions		**0.6**	2.1
NON-CURRENT LIABILITIES, TOTAL		**835.7**	918.0
CURRENT LIABILITIES	**21**		
Current liabilities, interest-bearing	**24**	**20.0**	50.1
Current liabilities, non-interest-bearing			
Trade payables and other current liabilities	**24**	**219.0**	253.4
Income tax liability		**1.1**	8.3
Current liabilities, non-interest-bearing, total		**220.1**	261.7
CURRENT LIABILITIES, TOTAL		**240.1**	311.8
LIABILITIES, TOTAL		**1 075.8**	1 229.8
EQUITY AND LIABILITIES, TOTAL		**1 765.0**	1 823.7

ASSETS 2008



FINANCING 2008



Statement of change in equity

	Equity attributable to equity holders of the parent									
EUR mill.	Share capital*	Share premium fund	Other funds	Fair value reserve**	Reserve for invested un-restricte	Trans-lation difference	Retained earnings	Total	Minority interest	Equity total
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**
Options exercised	0.0	0.0						0.0		0.0
Rights Issue	11.2				126.2			137.4		137.4
Share bonus							0.1	0.1		0.1
Cash flow hedges				1.0				1.0		1.0
The adjustment corresponding the expenses of share options							1.9	1.9		1.9
Costs of share issue					-2.1			-2.1		-2.1
Dividends							-75.2	-75.2		-75.2
Translation differences				-0.1		-6.8		-6.9		-6.9
Profit for the period							39.1	39.1	0.0	39.1
Equity December 31, 2008	**123.4**	**186.1**	**44.1**	**1.4**	**124.1**	**-6.7**	**216.8**	**689.1**	**0.0**	**689.1**

*including share issue

**excluding deferred tax liability

Consolidated cash flow statement

	Ref.	1.1.-31.12.2008 EUR mill.	1.1.-31.12.2007 EUR mill.
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the financial year		**39.1**	88.4
Adjustments:			
Depreciation		**61.4**	36.9
Profit (-) and loss (+) from sales of non-current assets		**-3.5**	
Financial expenses		**51.7**	7.0
Financial income		**-1.6**	-1.3
Income taxes		**32.7**	31.1
Other adjustments	**20.29**	**-1.4**	1.2
Changes in working capital:			
Change in trade and other receivables		**75.6**	-11.0
Change in inventories		**24.0**	-12.5
Change in trade payables and other liabilities		**-12.7**	8.8
Interest paid		**-47.7**	-6.5
Interest received		**0.8**	1.3
Income taxes paid		**-48.3**	-23.5
NET CASH FROM OPERATING ACTIVITIES		**170.1**	119.9
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on tangible and intangible assets		**-181.1**	-113.2
Proceeds from sale of tangible assets		**6.1**	
Acquisition of subsidiary net cash acquired	**3**	**-18.9**	-852.5
Dividends received		**0.1**	0.1
NET CASH USED IN INVESTING ACTIVITIES		**-193.7**	-965.6
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		**135.2**	5.8
Proceeds from short-term borrowings		**20.0**	85.5
Repayments of long-term borrowings		**-190.6**	-50.0
Proceeds from long-term borrowings		**152.2**	835.6
Dividends paid		**-75.2**	-72.1
NET CASH USED IN FINANCING ACTIVITIES		**41.7**	804.8
Change in cash and cash equivalents		**18.1**	-40.9
Cash and cash equivalents at start of the financial year		**18.6**	59.2
Translation differences in cash and cash equivalents		**-2.2**	0.4
Current account with overdraft facility		**35.2**	33.2
Cash and cash equivalents at end of the financial year		**34.5**	18.6

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 Helsinki exchange.

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, 2008. 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 1 January 2008, the Group has applied the following new and revised standards and interpretations:

- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions
- IFRIC 12 – Service Concession Arrangements
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures, concerning the Reclassification of Financial Assets, effective as from 1 July 2008.

As from 1 January 2007 the Group has applied the amendment to IAS 23 and capitalizes material borrowing costs directly attributable to the acquisition, construction or production of an asset in the acquisition cost. The IFRIC 11, IFRIC 12 and IFRIC 14 interpretations and the IAS 39 and IFRS 7 amendments have had no effect on 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 12.

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.

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 and Stockmann Master Card points in Russia 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 as well as income from credit card co-operation is recognized as a reduction in the 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 if they exceed ten per cent of the existing pension obligation or ten per cent of the fair value of the plan assets insofar as they exceed bigger of above mentioned values. 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 estmated 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.

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 28.

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 copyrights 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.

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 in financial periods beginning on or after 1 January 2009; replaces IAS 14: Segment Reporting. In the Group's estimation, the new standard will not materially change current segment reporting, as the Group currently uses business segments defined for internal reporting purposes as its 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 future financial statements.

Amendment to IAS 1 Presentation of Financial Statements, effective in financial periods beginning on or after 1 January 2009. In the Group's estimation, the amendment will mainly affect the presentation of the income statement and the statement of changes in equity.

IFRS 3 Business Combinations, effective in financial periods beginning on or after 1 July 2009. Amendments to the standard will have an effect on the amount of goodwill recorded on future business acquisitions as well as on the losses and gains made in the disposal of businesses and on items recorded in the income statement in conjunction with an acquisition. In accordance with the standard's transition requirements, business combinations in which the acquisition date is prior to the date of compulsory adoption of the standard shall not be adjusted. The revised standard has not yet been approved for application in the EU.

IAS 27 Consolidated and Separate Financial Statements, effective in financial periods beginning on or after 1 July 2009. The amended standard requires that the effects of a change in the size of holding in a subsidiary company be recorded directly in consolidated equity when the parent company's control is retained; if, however, control is lost, the residual holding shall be recorded at fair value in earnings. The same accounting procedure shall also be applied in the future to Investment in Associates (IAS 28) and Interests in Joint Ventures (IAS 31). The revised standard has not yet been approved for application in the EU.

Amendments to IFRS 2 Share-based Payment to clarify Vesting Conditions and Cancellations, effective in financial periods beginning on or after 1 January 2009. The amendment to the standard stipulates that all non-vesting conditions should be included when determining the fair value of granted equity instruments. In addition, the amended standard clarifies the guidelines concerning the treatment of cancellations.

Amendments to IFRS 1 First-Time Adoption Of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements with respect to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate, effective in financial periods beginning on or after 1 January 2009. Amendments to these standards concern first-time adopters of IFRS, and thus have no effect on the Group's future financial statements.

Improvements to IFRSs, effective mainly in financial periods beginning on or after 1 January 2009. Using the Annual Improvements process, small and non-urgent amendments are compiled into a single package and applied once a year. These amendments cover a total of 34 standards. The effects of the amendments vary from one standard to another, but in the Group's estimation, the coming amendments will not significantly affect the consolidated financial statements. The amendments to the standards have not yet been approved for application in the EU.

Amendment to IAS 39 Financial Instruments: Recognition and Measurement, effective in financial periods beginning on or after 1 July 2009. The amendment clarifies the IAS 39 guidelines for hedging of a one-sided risk or an inflation risk in a hedged item that is a financial asset or financial liability. In the Group's estimation, the amendment to the standard will not have a significant effect on the Group's future financial statements.

IFRIC interpretations IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate and IFRIC 16 Hedges of a Net Investment in a Foreign Operation. The adoption of the IFRIC 13 interpretation is estimated to have an effect on the recognition and measurement of customer bonuses, while the adoption of the other interpretations is not expected to have a material effect on the Group's future financial statements.

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 the division operates on a basis of a franchise operational model. The division's operations are concentrated in the major cities of each country where it operates. At 31 December 2008, the Department Store Division Comprised seven department stores, seven Academic Bookstores, four Zara stores and 15 Stockmann Beauty stores in Finland, three 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 chain of fashion stores in Sweden, Norway, Finland, Estonia, Latvia, Lithuania, Czech and Russia. At December 2008, it had 195 stores in Sweden, 93 in Norway, 53 in Finland five in Estonia, seven in Latvia, four in Lithuania, three in Czech and one store in Russia. In addition, in Saudi Arabia operated five Lindex stores on franchise basis. Sales in Sweden include sales to the franchising partner.

Hobby Hall

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

Seppälä

Seppälä is chain of fashion stores in Finland, Russia, Estonia, Latvia, Lithuania and Ukrain, and its operations are based on its own design. At December 2008, it had 132 stores in Finland, 18 in Estonia, nine in Latvia, nine in Lithuania, 34 in Russia and one store in Ukraine.

The most important exchange rates		Closing rates		Average yearly rate	
Country	Currency	Dec.31, 2008	Dec.31, 2007	2008	2007
Sweden	SEK	**10.8700**	9.4415	**9.6184**	9.2501
Norway	NOK	**9.7500**	7.9580	**8.2263**	8.0165
Russia	RUB	**41.2830**	35.9860	**36.4266**	35.0183
Estonia	EEK	**15.6466**	15.6466	**15.6466**	15.6466
Latvia	LVL	**0.7083**	0.6964	**0.7026**	0.7001
Lithuania	LTL	**3.4528**	3.4528	**3.4528**	3.4528

BUSINESS SEGMENTS, JANUARY 1 - DECEMBER 31, 2008

EUR millions	Department Store Division	Lindex	Hobby Hall	Seppälä	Unallocated 1)	Eliminations	Continuing operations	Group
Income statement information, Jan. 1 - Dec. 31								
Sales	1 218.9	672.5	191.0	182.6	0.8		2 265.8	2 265.8
Revenue	1 025.9	540.2	159.6	151.9	1.1		1 878.7	1 878.7
Operating profit	54.0	58.7	0.8	14.6	-6.1	0.0	121.9	121.9
Depreciation	32.7	20.2	2.4	4.7	1.3		61.4	61.4
Balance sheet information, Dec. 31								
Capital expenditures	146.0	25.2	3.1	7.2	0.8		182.3	182.3
Assets 2)	704.0	806.0	90.4	116.5	48.1		1 765.0	1 765.0
Non-interest-bearing liabilities 3)	121.9	99.4	16.6	10.7	51.6		300.2	300.2
Interest-bearing liabilities					775.7		775.7	775.7
Number of employees, average	8 747	4 561	701	1 542	119		15 669	15 669

BUSINESS SEGMENTS, JANUARY 1 - DECEMBER 31, 2007

EUR millions	Department Store Division	Lindex	Hobby Hall	Seppälä	Unallocated 1)	Eliminations	Continuing 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	387.0	649	1 414	105		11 161	11 161

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, JANUARY 1 - DECEMBER 31, 2008

EUR millions	Finland 1)	Sweden and Norway 3)	Baltic Rim Czech 1)	Russia 2)	Continuing operations	Group
Sales	1 224.8	575.2	211.7	254.1	2 265.8	2 265.8
Revenue	1 021.8	460.2	179.8	217.0	1 878.7	1 878.7
Operating profit	71.1	57.3	10.7	-17.3	121.9	121.9
Capital expenditures	104.6	19.4	8.9	49.5	182.3	182.3
Assets	689.5	752.7	108.2	214.6	1 765.0	1 765.0
Number of employees, average	7 435	3 885	1 628	2 720	15 669	15 669

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

GEOGRAPHICAL SEGMENTS, JANUARY 1 - DECEMBER 31, 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	330.0	1 420	2 550	11 161	11 161

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

3. ACQUIRED OPERATIONS

Business combinations

Acquired in 2007

Specification of preliminary acquisition cost

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 5 December 2007 and the remainder of the stock on 2008. The consolidated financial statements include a 100 per cent holding in the AB Lindex Group in accordance with IFRS 3. The acquisition price was EUR 851.7 million including EUR 4.7 of fees paid to specialists and EUR 0.4 million other interests. The acquisition cost calculation includes EUR 23.8 million taxes and interests associated with losses Lindex has in Germany, which the Gothenburg Administrative Court of Appeal ordered Lindex to pay in 2008. Lindex is one of Northern Europe's largest fashion department store chains, and the EUR 746.2 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. Stockmann's management believes that synergies can be obtained when expanding to new market areas in connection with administrative functions and scale benefits in purchasing and logistics operations.

The following assets and liabilities were recognized on the acquisition:

EUR mill.	Ref.	2007 Carrying amounts before business combi-nation	Fair values recognized in business combi-nation	Carrying amounts after business combi-nation
Intangible assets				
Trademarks	12	18.4	78.2	96.6
Rights over leased premises		0.0		0.0
Customer relationships	12		2.4	2.4
Supplier relationships	12		4.3	4.3
EDP software		10.3		10.3
Goodwill	12	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	16	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	22	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	23.8	93.7
Liabilities, total		106.5	48.8	155.3
Net assets		72.7	32.7	105.4
Acquisition cost				851.7
Goodwill	12		746.2	746.2

The intangible assets obtained in the business combination described above have been allocated separately from goodwill at fair value when 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 comprise 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 duration of active customer relationships and the discounted net cash flow arising from 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.

4. OTHER OPERATING INCOME

EUR mill.	2008	2007
Transfer Agreement for the Loyal Customer programme		9.7
Gain on sale of property, plant and equipment	4.2	
Total	4.2	9.7

5. GROSS MARGIN

EUR mill.	2008	2007
Revenue	1 878.7	1 398.2
Raw material and consumables used	969.6	798.8
Change in inventories	2.1	-7.6
Gross margin	907.0	607.0
Gross margin, % of revenue	48.3	43.4

6. WAGES, SALARIES AND OTHER EMPLOYEE BENEFITS EXPENSES

EUR mill.	2008	2007
Wages and salaries	279.8	182.0
Pension expenses		
Defined contribution plans	33.8	26.2
Defined benefit plans	-1.7	0.1
Other employee benefits expenses	37.2	14.8
Expenses for share option benefits	1.5	1.1
Total	350.5	224.1

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 28. Related party transactions.

7. DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

EUR mill.	2008	2007
Intangible assets	9.3	3.5
Buildings and constructions	7.1	6.0
Machinery and equipment	31.4	17.1
Modification and renovation costs for leased premises	13.6	10.3
Depreciation and amortization total	61.4	36.9
Impairment losses, total		0.0
Depreciation, amortization and impairment losses, total	61.4	36.9

8. OTHER OPERATING EXPENSES

EUR mill.	2008	2007
Site expenses	192.9	113.9
Marketing expenses	68.3	44.5
Goods handling expenses	24.3	15.4
Credit losses	1.9	1.9
Voluntary social security	9.0	5.2
Interest income from trade receivables	-5.0	-6.3
Financing income from loyal customer cards	-7.6	
Other costs	93.6	56.0
Total	377.4	230.6

Fees to the auditors

EUR mill.	2008	2007
Auditing	0.6	0.6
Certificates and statements	0.1	
Tax advisory	0.1	0.1
Other services	0.1	0.6
Total	0.8	1.3

9. FINANCE INCOME AND EXPENSES

EUR mill.	2008	2007
Finance income		
Dividend income on available-for-sale investments	0.1	0.1
Interest income on bank deposits and other investments	1.4	1.2
Change in fair value of financial assets at fair value through profit or loss	0.0	
Total	1.6	1.3
Finance expenses		
Interest expenses on financial liabilities measured at amortized cost	-45.4	-6.2
Change in fair value of financial assets at fair value through profit or loss	-0.3	0.0
Foreign exchange differences	-6.1	-0.8
Total	-51.7	-7.0
Finance income and expenses, total	-50.1	-5.7

10. INCOME TAXES

EUR mill.	2008	2007
Income taxes for the financial period, continuing operations	**7.6**	26.6
Income taxes from previous financial periods	**0.5**	0.1
Change in deferred tax liability/assets	**24.5**	4.3
Total	**32.7**	31.1

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 2007).

Profit before taxes	**71.7**	119.4
Income taxes at current tax rate	**18.7**	31.1
Income taxes from previous financial periods	**0.5**	0.1
Tax-exempt income	**-1.4**	
Differing tax rates of foreign subsidiaries	**-2.6**	-3.2
Non-deductible expenses	**13.4**	3.1
Unrecognised deferred tax assets from losses in taxation	**4.2**	
Income tax expense in the income statement	**32.7**	31.1

11. 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, 2008**	Jan. 1 - Dec. 31, 2007
Profit for the period, EUR millions	**39.1**	88.4
Share issue-adjusted number of outstanding shares, weighted average, thousands	**58 609**	55 606
Earnings per share, EUR	**0.67**	1.59
Profit for the period, EUR millions	**39.1**	88.4
Share issue-adjusted number of outstanding shares, weighted average, thousands	**58 609**	55 606
Effect of share options		209
Share issue-adjusted number of shares, diluted weighted average, thousands	**58 609**	55 815
Earnings per share adjusted for effect of dilution	**0.67**	1.58

12. INTANGIBLE ASSETS

Goodwill

EUR mill.	2008	2007
Acquisition cost Jan. 1	**720.0**	
Translation difference +/-	**-94.6**	
Acquisitions through business combinations (investment) (+)		721.7
Increases Jan. 1-Dec. 31	**23.8**	
Translation difference +/-	**-2.8**	-1.7
Acquisition cost Dec. 31	**646.5**	720.0
Carrying amount Jan. 1	**720.0**	
Carrying amount Dec. 31	**646.5**	720.0

Trademark

EUR mill.	2008	2007
Acquisition cost Jan. 1	**96.4**	
Translation difference +/-	**-12.6**	
Acquisitions through business combinations (investment) (+)		96.6
Translation difference +/-		-0.2
Increases Jan. 1-Dec. 31	**0.3**	
Transfers between items	**0.4**	
Acquisition cost Dec. 31	**84.5**	96.4
Translation difference +/-	**0.0**	
Amortization on disposals	**0.0**	
Amortization for the financial period	**0.1**	
Accumulated amortization Dec. 31	**0.1**	
Carrying amount Jan. 1	**96.4**	
Carrying amount Dec. 31	**84.4**	96.4

Impairment testing
For the purposes of impairment testing, goodwill has been allocated to Lindex segment 656.2 million euros, to Seppälä segment 26 million euros and to Department Store segment 25 million euros. Seppälä, Lindex and Department Store Division segments form separate cash-generating units. Trademark has been allocated in its 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 approach 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 development of sales in Lindex stores, existing and to be opened. 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. The components of discount rate are market specific risk-free rate, market risk premium, business specific beta, cost of debt and equity ratio. Used discount rate is 7.2 per cent for the Lindex segment. Used discount rate is 7.0 per cent for the Seppälä and Department Store segments.

A sensitivity analysis has been carried out on the Lindex and Seppälä segments and the Department Store Division using downside scenarios. In the scenarios, sales growth was reduced by between 1 and 25 per cent from the management estimate or interest rates were increased by between 1 and 50 per cent. Based on the sensitivity analyses, the above-mentioned changes in estimated sales growth or rise in discount rates would not bring recoverable cash amounts to below their carrying amounts. On the basis of the impairment testing there is no need for impairment entries.

Intangible rights

EUR mill.	2008	2007
Acquisition cost Jan. 1	**36.4**	20.2
Translation difference +/-	**-1.4**	0.0
Acquisitions through business combinations (investment) (+)		10.3
Translation difference +/-		0.0
Increases Jan. 1-Dec. 31	**10.3**	2.9
Decreases Jan. 1-Dec. 31	**-1.0**	-2.4
Transfers between items	**0.2**	5.4
Acquisition cost Dec. 31	**44.4**	36.4
Accumulated amortization Jan. 1	**14.8**	13.9
Translation difference +/-	**-0.4**	0.0
Amortization on disposals	**-1.0**	-2.5
Amortization for the financial period	**6.6**	3.3
Accumulated amortization Dec. 31	**20.0**	14.8
Carrying amount Jan. 1	**21.6**	6.3
Carrying amount Dec. 31	**24.5**	21.6

Other intangible assets

EUR mill.	2008	2007
Acquisition cost Jan. 1	**6.7**	
Translation difference +/-	**-1.0**	
Acquisitions through business combinations (investment) (+)		**6.7**
Translation difference +/-		**0.0**
Acquisition cost Dec. 31	**5.7**	**6.7**
Accumulated amortization Jan. 1	**0.2**	
Translation difference +/-	**-0.3**	
Amortization for the financial period	**2.6**	**0.2**
Accumulated amortization Dec. 31	**2.5**	**0.2**
Carrying amount Jan. 1	**6.5**	
Carrying amount Dec. 31	**3.2**	**6.5**
Intangible assets, total	**758.5**	844.5

13. PROPERTY, PLANT AND EQUIPMENT

Land and water

EUR mill.	2008	2007
Acquisition cost Jan. 1	**38.8**	39.9
Decreases Jan. 1-Dec. 31	**-1.9**	-0.1
Transfers between items		-1.0
Acquisition cost Dec. 31	**37.0**	38.8
Carrying amount Jan. 1	**38.8**	39.9
Carrying amount Dec. 31	**37.0**	38.8

Buildings and constructions

EUR mill.	2008	2007
Acquisition cost Jan. 1	**199.9**	191.1
Translation difference +/-	**-0.3**	0.0
Increases Jan. 1-Dec. 31	**29.1**	10.0
Decreases Jan. 1-Dec. 31	**-4.5**	-1.2
Transfers between items	**1.0**	
Acquisition cost Dec. 31	**225.3**	199.9
Accumulated depreciation Jan. 1	**63.8**	59.0
Translation difference +/-	**0.0**	0.0
Depreciation on disposals	**-3.7**	-1.2
Depreciation for the financial period	**7.1**	6.0
Accumulated depreciation Dec. 31	**67.1**	63.8
Carrying amount Jan. 1	**136.1**	132.1
Carrying amount Dec. 31	**158.2**	136.1

Machinery and equipment

EUR mill.	2008	2007
Acquisition cost Jan. 1	**189.5**	139.1
Translation difference +/-	**-5.8**	0.0
Acquisitions through business combinations (investment) (+)		41.1
Translation difference +/-		0.1
Increases Jan. 1-Dec. 31	**34.1**	21.6
Decreases Jan. 1-Dec. 31	**-14.0**	-12.4
Transfers between items	**-0.1**	
Acquisition cost Dec. 31	**203.8**	189.5
Accumulated depreciation Jan. 1	**92.1**	87.3
Translation difference +/-	**-1.9**	0.0
Depreciation on disposals	**-13.9**	-12.4
Depreciation for the financial period	**31.4**	17.1
Accumulated depreciation Dec. 31	**107.6**	92.1
Carrying amount Jan. 1	**97.5**	51.8
Carrying amount Dec. 31	**96.2**	97.5
Machinery and equipment, total	**96.2**	97.5

Modification and renovation costs of leased premises

EUR mill.	2008	2007
Acquisition cost Jan. 1	**101.4**	82.3
Translation difference +/-	**0.0**	
Increases Jan. 1-Dec. 31	**3.3**	21.6
Decreases Jan. 1-Dec. 31	**-6.9**	-2.4
Transfers between items	**0.0**	
Acquisition cost Dec. 31	**97.8**	101.4
Accumulated depreciation Jan. 1	**41.6**	33.0
Depreciation on disposals	**-6.8**	-1.6
Depreciation for the financial period	**13.6**	10.3
Accumulated depreciation Dec. 31	**48.5**	41.6
Carrying amount Jan. 1	**59.8**	49.3
Carrying amount Dec. 31	**49.4**	59.8

Advance payments and construction in progress

EUR mill.	2008	2007
Acquisition cost Jan. 1	**144.5**	79.1
Translation difference +/-	**0.0**	0.0
Increases Jan. 1-Dec. 31	**104.5**	69.8
Transfers between items	**-1.5**	-4.4
Decreases Jan. 1-Dec. 31	**-0.7**	
Acquisition cost Dec. 31	**246.9**	144.5
Carrying amount Jan. 1	**144.5**	79.1
Carrying amount Dec. 31	**246.9**	144.5

Property, plant and equipment, total	**587.5**	476.8

EUR 5.5 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" and the line "Increases Jan 1 – Dec 31" under the heading "Buildings and constructions":

EUR mill.	2008	2007
Acquisition cost Jan. 1	**1.7**	
Increases Jan. 1-Dec. 31, buildings and constructions	**1.0**	
Increases Jan. 1-Dec. 31, advance payments and construction in progress	**4.5**	1.7
Acquisition cost Dec. 31	**7.2**	1.7
Carrying amount Dec. 31	**7.2**	1.7

14. JOINT VENTURES

	2008 Shareholding %	2007 Shareholding %
SIA Stockmann Centrs, Riga (real-estate company)	**63.0**	63.0
Arabian Liiketalo Oy, Helsinki		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.	2008	2007
Non-current assets	**24.1**	25.8
Current assets	**2.3**	2.4
Non-current liabilities	**16.2**	2.0
Current liabilities	**0.5**	15.5

Income and expenses of joint ventures

EUR mill.	2008	2007
Income	**4.3**	3.7
Expenses	**3.7**	3.2

15. AVAILABLE-FOR-SALE INVESTMENTS

EUR mill.	2008	2007
Carrying amount Jan. 1	**6.5**	6.5
Increases Jan. 1-Dec. 31	**0.1**	0.0
Decreases Jan. 1-Dec. 31	**0.0**	0.0
Carrying amount Dec. 31	**6.6**	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.

16. INVENTORIES

EUR mill.	2008	2007
Raw material and consumables	**220.1**	244.3
Advance payments for inventories	**0.2**	0.1
Total	**220.3**	244.4

The value of inventories has been lowered by EUR 1.1 million for unsaleable assets (2007: EUR 1.3 million).

17. CURRENT RECEIVABLES	**Carrying**	**Fair**	Carrying	Fair
	amount	**value**	amount	value
EUR mill.	**2008**	**2008**	2007	2007
Interest-bearing trade receivables	**52.2**	**52.2**	98.8	98.8
Non-interest-bearing trade receivables	**23.7**	**23.7**	66.2	66.2
Other receivables	**31.4**	**31.4**	22.7	22.7
Prepayments and accrued income	**28.2**	**28.2**	21.6	21.6
Income tax receivables	**15.2**	**15.2**	2.1	2.1
Current receivables, total	**150.6**	**150.6**	211.3	211.3

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 50.0 million of one-time credits on mail-order sales in 2008 and EUR 58.6 million in 2007. 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.

18. CASH AND CASH EQUIVALENTS

EUR mill.	**2008**	2007
Cash on hand and at banks	**24.9**	31.0
Marketable securities	**10.3**	2.2
Total	**35.2**	33.2

Cash and cash equivalents in the Cash Flow Statement

EUR mill.	**2008**	2007
Cash and cash equivalents	**35.2**	33.2
Current cheque account credit lines	**-0.7**	-14.6
Total	**34.5**	18.6

19. EQUITY

Share capital and share premium fund	**Entered**	**Number**		**Share**	**Invested**	
	in trade	**of**	**Share**	**premium**	**unresticted**	
EUR mill.	**register**	**shares**	**capital**	**fund**	**equity fund**	**Total**
Jan. 1, 2007		55 854 903	111.7	183.4		
Subscriptions with key employee share options 2000	28.2.					0.3
Subscriptions with key employee share options 2000	10.4.	18 000	0.0	0.2		2.8
Subscriptions with key employee share options 2000	14.5.	220 709	0.4	2.4		298.2
Dec. 31, 2007		56 093 612	112.2	186.0		301.3
Subscriptions with loyal customer options 2006	26.6.	364	0.0	0.0		137.4
Directed issue	26.6.	5 609 360	11.2		126.21	-2.1
Share issue costs					-2.12	433.5
Dec. 31, 2008		61 703 336	123.4	186.1	124.1	870.2

	2008	**2007**
Treasury shares, Series B, in the company's possession	364 321	369 560
Acquisition cost, EUR million, at Dec. 31.	5.5	5.6

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, 2008, a total of 48 679 shares had been used for remuneration paid to the Board of Directors and management. At December 31, 2008, 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, 2008, registered	61 703 336
The shares are divided into:	
Series A shares	26 582 049
Series B shares	35 121 287

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.	**2008**	2007
Reserve fund	**0.2**	0.2
Invested unrestricted equity fund	**124.1**	
Fair value reserve		0.5
Other funds	**45.3**	43.9
Total	**169.6**	44.6

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 13, 2009 to pay out a dividend of EUR 0.62 per share. In addition, the the Board of Directors proposed to the Annual General Meeting to be authorised to decide at its discretion later in 2009, Stockmann's financial standing permitting, on the payment of a dividend of up to EUR 0.38 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 and 2008.

Loyal Customer share options 2006

The Annual General Meeting held on 21 March 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 1 January 2006 – 31 December 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 31 December 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 the Helsinki Exchange during the period 1 February – 28 February 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 to the date of the share subscription. The remaining subscription periods for the shares are 4 May 2009 – 31 May 2009 and 2 May 2010 – 31 May 2010. The subscription price after the dividend payout proposed by the Board of Directors for the 2008 financial year is EUR 28.98. If in addition to the dividend payout, the Board's authorization to pay a dividend will be carried out completely, the subscription price is EUR 28.60, In the spring 2008, a total of 1 373 846 Stockmann plc's Loyal Customer share options were subscribed. During the share subscription period in 2008, a total of 364 Stockmann plc Series B shares with a par value of EUR Stockmann plc Series B shares with a par value of EUR 2.00 were subscribed.

Key employee share options 2006

The Annual General Meeting held on 21 March 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 1 March 2008 – 31 March 2010; with share option 2006B, 1 March 2009 – 31 March 2011; with share option 2006C, 1 March 2010 – 31 March 2012; and with share option 2006D, 1 March 2011 – 31 March 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 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 the Helsinki exchange during 1 February – 28 February 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 the Helsinki exchange during 1 February – 29 February 2008, plus 10 per cent or EUR 31.02. 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 2008 financial year on the basis of option A and option B is EUR 32.32 per share and of option C and option D EUR 29.05 per share. If in addition to the dividend payout, the Board's authorization to pay a dividend will be carried out completely, the subscription price of option A and option B is EUR 31.94, and the subscription price for option C and D is EUR 28.67.

Loyal Customer share options 2008

The Annual General Meeting held on 18 March 2008 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 1 January 2008 – 31 December 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. The subscription price is the volume-weighted average price of the Series B share on the Helsinki Exchange during the period 1 February – 29 February 2008, or EUR 28.20. 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 in May in the years 2011 and 2012. The subscription price after the dividend payout proposed by the Board of Directors for the 2008 financial year is EUR 26.23. If in addition to the dividend payout, the Board's authorization to pay a dividend will be carried out completely, the subscription price of option is EUR 25.85. The Board of Directors proposes to the Annual General Meeting of 17 March 2009 that the terms applying to the 2008 Loyal Customer share options be amended such that the subscription price for shares subscribed under these options is the volume-weighted average price of the Series B share on the Helsinki exchange during the period 1 February – 28 February 2009. In other respects the terms applying to the option rights would remain unchanged.

The management's share-based bonus scheme is presented in note 28.

Changes in share options during the financial period	2008 Number of Options	Subscription price as weighted average EUR/share	Turnover-weighted share price during subscription period EUR/share	2007 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		
Shares subscribed for with options during financial period				238 709	13.02	33.18
Options lapsed during the period				200		
Options unexercised at end of financial period				0		
Key employee share options 2006 Series A						
Options unexercised at beginning of financial period	**375 000**			347 000		
Options granted during financial period				28 000		
Options unexercised at end of financial period	**375 000**			375 000		
Key employee share options 2006 Series B						
Options unexercised at beginning of financial period	**375 000**			347 000		
Options granted during financial period				28 000		
Options unexercised at end of financial period	**375 000**			375 000		
Key employee share options 2006 Series C						
Options unexercised at beginning of financial period						
Options granted during financial period	**360 000**					
Options unexercised at end of financial period	**360 000**					
Key employee share options 2006 Series D						
Options unexercised at beginning of financial period						
Options granted during financial period	**360 000**					
Options unexercised at end of financial period	**360 000**					
Loyal customer options options 2006						
Options unexercised at beginning of financial period						
Shares subscribed for with options during financial period	**364**	**29.60**	**24.75**			
Options granted during financial period	**1 373 846**					
Options unexercised at end of financial period	**1 373 482**					
Options, total						
Options unexercised at beginning of financial period	**750 000**			932 909		
Shares subscribed for with options during financial period	**364**			238 709		
Options granted during financial period	**2 093 846**			56 000		
Options lapsed during the period				200		
Options unexercised at end of financial period	**2 843 482**			750 000		

The main terms and conditions of the 2006 share option scheme for key employees and the 2006 and 2008 Loyal Customers option scheme are presented in the following table:

	2006A	2006B	2006C	2006D	Loyal customer options 2006	Loyal customer options 2008
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	2.5.11-31.5.11 2.5.12-31.5.12
Maximum number of share options	375 000	375 000	375 000	375 000	2 500 000	2 500 000
Number of options granted at December 31, 2008	375 000	375 000	360 000	360 000	1 373 846	2)
Subscription price, EUR 1)	32.94	32.94	29.67	29.67	29.60	26.85
Vesting period	13.6.06-28.2.08	13.6.06-28.2.09	21.4.08-28.2.10	21.4.08-28.2.11	1.1.06-31.12.07	1.1.08-31.12.09
Contract vesting conditions		ROCE- and EBIT-targets for the years 2006-2008		ROCE- and EBIT-targets for the years 2008-2010		

1) Reduced by dividends paid.
2) Loyal Customer share options 2008 have not been granted yet.
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, 2008, share options had an impact on the Group's profit of EUR 1.8 million. The estimated expenses that hasn't been booked on income statement, amount to EUR 2.1 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 options 2006	2006C	2006D	Loyal customer options 2008
Options granted	13.6.2006	13.6.2006	During financial period 2007	During financial period 2007	1.4.2008	21.4.2008	21.4.2008	1)
Risk-free interest rate, %	3.3%	3.4%	4.1%	4.1%	3.1%	3.9%	4.0%	3.7%
Volatility, %	23.4%	22.7%	24.0%	23.7%	23.0%	27.9%	27.1%	28.3%
Expected average probable life of the share options (in years)	2.2	3.2	1.1	2.1	1.8	2.4	3.4	1.8
Share price at grant date, EUR	29.39	29.39	31.61	31.61	32.75	24.40	24.40	28.30
Fair value of the option determined at the grant date, EUR	2.74	3.79	2.70	4.40	4.54	3.17	4.19	5.11

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 2008 have not yet been granted.

20. NON-CURRENT LIABILITIES, INTEREST-BEARING

Non-current liabilities **EUR mill.**	**Carrying amount 2008**	**Fair value 2008**	Carrying amount 2007	Fair value 2007
Loans from financial institutions	**755.7**	**755.7**	855.4	855.8
Total	**755.7**		855.4	

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.

21. CURRENT LIABILITIES

EUR mill.	**Carrying amount 2008**	**Fair value 2008**	Carrying amount 2007	Fair value 2007
Loans from financial institutions			13.1	13.1
Current account with overdraft facility	**0.7**	**0.7**	14.6	14.6
Other interest-bearing liabilities	**19.3**	**19.3**	22.4	22.4
Trade payables	**95.2**	**95.2**	96.1	96.1
Other current liabilities	**43.3**	**43.3**	66.3	66.3
Accruals and prepaid income	**80.5**	**80.5**	91.0	91.0
Income tax liability	**1.1**	**1.1**	8.3	8.3
Total	**240.1**	**240.1**	311.8	311.8
of which interest-bearing	**20.0**		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.

22. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Changes in deferred taxes during 2008:

EUR mill.	**Jan. 1, 2008**	**Recognized in income-statement**	**Recognized in equity**	**Trans-lation difference**	**Business combi-nations**	**Dec. 31, 2008**
Deferred tax asset						
Confirmed losses	**2.2**					**2.2**
Measurement of derivatives and other financial instruments at fair value	**0.0**	**0.0**				**0.0**
Difference between carrying amounts and tax bases of property, plant and equipment	**1.5**	**-0.1**		**-0.2**		**1.1**
Other temporary differences	**1.6**	**-0.1**		**-0.2**		**1.2**
Total	**5.3**	**-0.3**		**-0.5**		**4.5**
Deferred tax liabilities						
Cumulative depreciation differences	**21.7**	**4.6**		**-0.8**		**25.5**
Replacement provision	**5.2**	**-5.2**				
Difference between carrying amount and tax bases of prop., plant and equip.	**5.3**	**0.4**		**0.0**		**5.7**
Measurement at fair value of intangible and tangible assets in a business combination.	**23.7**	**-2.1**		**-2.9**		**18.7**
Measurement at fair value of inventories in a business combination	**1.1**	**-1.1**		**0.0**		
Other temporary differences	**0.3**	**27.6**	**0.4**	**-0.1**		**28.2**
Total	**57.3**	**24.2**	**0.4**	**-3.8**		**78.1**

Losses on which deferred tax assets have not been recognized amount to EUR 8.7 million (2007 EUR 4.4 million). In accordance with IAS 12 paragraph 52 A, deferred tax liabilities have not been recorded on the profits, EUR 24.5 million (2007 EUR 33.0 million), of the Estonian subsidiary.
In year 2008, decrease (EUR 1.6 million) of change in deferred tax liability is caused by change in corporate tax rate from 28% to 26.3% in Sweden.

Changes in deferred taxes during 2007: EUR mill.	Jan. 1, 2007	Recognized in income-statement	Recognized in equity	Trans-lation difference	Business combi-nations	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**

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

EUR mill.	Carrying amount 2008	Fair value 2008	Carrying amount 2007	Fair value 2007
Financial assets at fair value through profit or loss				
Cash and cash equivalents	**35.2**	**35.2**	33.2	33.2
Derivative contracts	**8.3**	**8.3**	1.0	1.0
Loans and other receivables				
Non-current receivables	**1.6**	**1.6**	1.7	1.7
Receivables, interest-bearing	**52.2**	**52.2**	98.8	98.8
Receivables, non-interest-bearing	**74.9**	**74.9**	109.4	109.4
Available-for-sale financial assets	**6.6**	**6.6**	6.5	6.5
Financial assets, total	**178.9**	**178.9**	250.6	250.6
Financial assets at fair value through profit or loss				
Derivative contracts	**0.9**	**0.9**	0.5	0.5
Financial liabilities at amortized cost				
Non-current interest-bearing liabilities	**755.7**	**755.7**	855.4	855.8
Current liabilities, interest-bearing	**20.0**	**20.0**	50.1	50.1
Current liabilities, non-interest-bearing	**218.1**	**218.1**	252.9	252.9
Financial assets, total	**994.7**	**994.7**	1 159.0	1 159.3

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

24. 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 2009.

EUR mill.	**2008**	2007
The defined benefit pension liability recognized in the balance:		
Present value of unfunded obligations	**0.3**	1.5
Present value of funded obligations		2.4
Fair value of plan assets		-1.4
Deficit/surplus	**0.3**	2.5
Unrecognized actuarial gains (+) and losses (–)	**0.9**	0.3
Social security contribution	**0.2**	0.4
Recognized net amount of liability	**1.4**	3.2
The defined benefit pension expense recognized in the income statement:		
Current service cost	**0.2**	0.2
Interest costs	**0.1**	0.1
Expected return on plan assets		-0.1
Actuarial gains (-) and losses (+)		0.0
Past service cost		0.0
Losses/gains on plan curtailment	**-2.0**	
Social security contribution	**0.0**	0.0
Total	**-1.7**	0.1
Actual return on plan assets		-0.1
Changes in the present value of the defined benefit obligation		
Opening defined benefit obligation	**3.9**	3.8
Current service cost	**0.1**	0.2
Interest costs	**0.1**	0.1
Actuarial gains (-) and losses (+)	**-1.0**	-0.1
Gains (-) and losses (+) due to plan curtailment	**-1.9**	
Translation differences	**-0.8**	
Benefits paid	**-0.1**	0.0
Closing defined benefit obligation	**0.3**	3.9
The changes in the fair values of plan assets are the following:		
Opening fair values of plan assets	**1.4**	1.4
Expected return on plan assets		0.1
Actuarial gains (-) and losses (+)		-0.2
Contributions by employer		0.2
Losses (-) and profits (+) on plan curltainment	**-1.1**	
Translation differences	**-0.3**	
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 %

Actuarial assumptions applied (%)	Dec 31, 2008	Dec31, 2007
Discount rate	**4.3 %**	5.0 %
Expected return on plan assets	**6.3 %**	6.0 %
Assumed future salary increases	**4.5 %**	4.0 %
Employee turnover	**0,5-8,0 %**	2.0 %
Inflation	**4.3 %**	4.0 %
Amounts for current period, EUR mill.		
Present value of unfunded obligations	**0.4**	1.5
Present value of funded obligations		2.4
Present value of the obligation		-1.4
Surplus (+) /Deficit (-)	**0.4**	2.5
Experience adjustments to plan assets	**-0.8**	-0.2
Experience adjustments to plan liabilities		0.1

During the financial year, two out of three defined benefit pension plans have ended.

25. OPERATING LEASES

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The Group as lessee

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

EUR mill.	2008	2007
Within one year	**143.2**	124.6
Within 1-5 years	**353.8**	330.6
In five years or more	**125.1**	118.7
Total	**622.1**	573.8

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

26. CONTINGENT LIABILITIES

EUR mill.	2008	2007
Collaterals given for own liabilities		
Mortgages given	**1.7**	1.7
Securities pledged	**1.0**	0.1
Total	**2.7**	1.8
Liabilities, total		
Mortgages	**1.7**	1.7
Pledges	**1.0**	0.1
Total	**2.7**	1.8

AB Lindex is involved in ongoing legal proceedings concerning the eligibility for deduction in Swedish taxation of about EUR 70 million in losses made by the Lindex Group's company in Germany. In May 2008, the Gothenburg Administrative Court of Appeal revoked earlier decisions made by a County Administrative Court in favour of Lindex. Lindex has appealed the Administrative Court of Appeal's decision to the Supreme Administrative Court.

Investments in real estate

Certain group companies are required to adjust the VAT deductions made on real estate investments completed in 2005-2008 if the VAT-liable use of the real estate decreases during the adjustment period. The last adjustment year is 2017, and the maximum liability is EUR mill. 48.2.

27. DERIVATIVE CONTRACTS

Nominal values of derivative contracts

EUR mill.	2008	2007
Derivative contracts defined as cash flow hedges or as hedges of a net investment in a foreign subsidiary		
Currency forwards	**36.2**	41.4
Currency options		
- purchased	**0.6**	4.1
- issued	**0.6**	4.1
Electricity forwards	**2.4**	1.5
Total	**39.7**	51.1

Non-hedging derivative contracts		
Currency swaps	**9.8**	10.2
Currency forwards	**157.3**	8.0
Electricity forwards	**0.1**	
Total	**167.2**	18.2

Fair values of derivative contracts

EUR mill.	**2008** Positive	Negative	Net
Derivative contracts defined as cash flow hedges or as hedges of a net investment in a foreign subsidiary			
Currency forwards	**2.4**	**-0.1**	**2.3**
Currency options			
- purchased	**0.2**		**0.2**
- issued			
Electricity forwards		**-0.5**	**-0.5**
Total	**2.6**	**-0.7**	**1.9**
Non-hedging derivative contracts			
Currency swaps	**0.4**	**0.0**	**0.4**
Currency forwards	**5.3**	**-0.2**	**5.2**
Electricity forwards		**0.0**	**0.0**
Total	**5.7**	**-0.2**	**5.5**

EUR mill.	2007 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 on the balance sheet date, 31 December 2008, with the exception of electricity derivatives, fall due in one year.

Currency swaps and forward exchange contracts have been measured at fair value using market prices on the balance sheet date. The fair values of currency options are calculated using market quotations on 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 on the balance sheet date. Derivative contracts did not result in hedge accounting-related ineffectiveness that was to be recorded through profit or loss in 2008. EUR 0.03 million of the fair values of forward electricity contracts has been recognized in equity because of ineffectiveness associated with hedge accounting.

28. 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 in notes to the parent company's financial statements, under the header "Shares and participation".

The following transactions were carried out with related parties:

Management's employee benefits

EUR mill.	**2008**	2007
Salaries and other short-term employee benefits		
Chief executive officer	**0.6**	0.8
Executive vice president	**0.3**	0.5
Other members of the Management Committee	**1.8**	1.7
Emoluments to the members of the Board	**0.4**	0.3
Total	**3.1**	3.3

Emoluments*

EUR thousands	**2008**	2007
To members and deputy members of the Board of Directors		
Bergh Kaj-Gustaf	**42.5**	38.5
Etola Erkki	**54.5**	50.5
Koivu Lasse		2.5
Liljeblom Eva	**44.0**	40.5
Niemistö Kari	**43.5**	40.0
Taxell Christoffer	**82.0**	75.0
Teir-Lehtinen Carola	**43.0**	40.0
Wiklund Henry	**44.0**	40.5
Total	**353.5**	327.5

*paid in shares 5 239 pieces in 2007, (3 574 pieces in 2007).

Key employee share options 2006

The group management had as of 31.12.2008 236 200 pcs granted options, of which 62 000 pcs were exercisable.

Loyal customer share options 2006

The group management had as of 31.12.2008 1 446 pcs granted options, of which all were exercisable.

Management's share-based bonus scheme
On April 24, 2003, the Board of Directors approved a long-term share-based bonus scheme as a supplement to the annual incentives for the members of the Group's Management Committee. The scheme 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. Realization of the share-based bonus-scheme was evaluated in two years' periods.

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.	**2008**	**2007**
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.

29. FINANCIAL RISK MANAGEMENT

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 policy adopted 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, financing risk and counterparty risk. After the acquisttion of the Swedish company AB Lindex in December 2007, Stockmann's capital structure changed significantly, with a concurrent significant increase in the interest rate and foreign exchange exposures. Group Treasury, which reports to the Chief Executive Officer of Stockmann plc, is responsible for managing and hedging financial exposures at Group level. Group Treasury also acts as the internal bank of the Stockmann Group.

The financial risks in the balance sheet and the financial risks connected with commercial cash flows and the hedging of them are reported to the Board of Directors quarterly and to Group Management monthly.

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 Euro, the Swedish krona, the Russian rouble, the Norwegian krona, the Estonian kroon and the Latvian lat and the primary purchasing currencies are the Euro, the United States dollar, the Swedish Krona, the Hong Kong dollar, the Norwegian krona and the British Pound. In 2008, foreign-currency-denominated sales accounted for 46 per cent of the Group's entire sales, and purchases made in foreign currency made up 18 per cent of the Group's purchases.

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%. Contracted cash flows could be hedged for longer periods.

Foreign subsidiaries are financed primarily in 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

2008, EUR mill.	SEK	LVL	EEK	RUB	LTL	NOK
Receivables	701.5	9.2	3.0	25.2	6.3	10.7
Loans from financial institutions	-655.1	-0.3			0.0	-0.4
Trade payables and other current liabilities	-2.5	-4.0	-15.4	-7.2	-0.2	-1.1
Foreign currency exposure in the balance sheet	43.9	5.0	-12.4	18.0	6.1	9.2
Foreign exchange derivatives hedging balance sheet items	-76.6	-4.2				-5.1
Foreign currency loans hedging a net investment	42.3					
Net position in the balance sheet	9.6	0.7	-12.4	18.0	6.1	4.1

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

Foreign exchange derivatives hedging cash flows

EUR mill.	2008	2007
USD	33.1	36.9
NOK	-11.2	-18.5
HKD	6.1	8.4
Total	27.9	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, 2008, on Stockmann's profit after taxes of EUR -0.7 million (2007: EUR -0.7 million) and on equity after taxes of EUR -2.4 million (2007: EUR -2.8 million). 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, 2008, on Stockmann's profit after taxes of EUR +0.8 million (2007: EUR +0.8 million) and on equity after taxes of EUR +2.7 million (2007: EUR +3.1 million). 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, 2008, 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, 2008:

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	691.0			691.0
- other interest-bearing liabilities	16.3			16.3
Fixed-rate				
- loans from financial institutions	65.3			65.3
- other interest-bearing liabilities	3.0			3.0
Total	775.7			775.7

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, 2008, on Stockmann's profit after taxes of EUR -4.1 million (2007: EUR -5.0 million). Correspondingly, a decline of one percentage point in market interest rates would have an imputed effect at the balance sheet date, December 31, 2008, on Stockmann's profit after taxes of EUR +4.1 million (2007: EUR +5.0 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% for the coming three years. At the balance sheet date, December 31, 2008, 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.

FINANCING AND LIQUIDITY RISK

Financing risk is defined as the risk of not being able to meet payment obligations as a result of insufficient liquid funds or difficulties in finding financing. In order to minimize financing risk, the Group's financing need for the coming years shall be covered by long-term committed credit facilities. The Group also has to maintain a sufficiently large liquidity reserve. The liquidity reserve must be at least an amount corresponding to an average month's operational cash disbursements. Cash and cash equivalents as well as unused committed and non-committed credit facilities may be included in the liquidity reserve.

In December 2008 Stockmann arranged its long-term financing for the coming years. A financing package of EUR 1 000 million was signed with Finnish pension insurer Varma, NIB and a banking consortium. The financing package is divided into separate elements, with maturity periods of 3, 5 and 7 years.

The Group also has bilateral committed long-term credit facilities totaling EUR 112,9 million. These facilities mature in 2010, 2011 and 2013. In addition to these credit facilities the Group has short-term committed credit lines of EUR 58.5 million, as well as a domestic commercial paper programme of EUR 362,5 million.

Cash and bank receivables as well as unused committed credit facilities

EUR mill.	**2008**	2007
Cash and bank receivables	**35.2**	33.2
Credit facility, due in 2009		273.7
Credit facility, due in 2010	**10.0**	100.0
Credit facility, due in 2011	**198.2**	20.0
Credit facility, due in 2012	**62.2**	
Credit facility, due in 2013	**62.9**	
Credit facility, due in 2014	**8.9**	
Credit facility, due in 2015	**8.9**	
Credit facility, due in 2016	**4.4**	
Overdraft facilities	**58.7**	80.1
Total	**449.5**	507.0

Cash flows based on agreements in financial liabilities, including financing costs, were the following at December 31, 2008:

EUR mill.	**2009**	**2010**	**2011**	**2012**	**2013+**	**Total**
Loans from financial institutions	**64.4**	**23.7**	**727.7**	**3.2**	**16.9**	**835.9**
Other interest-bearing liabilities	**19.5**					**19.5**
Trade payables and other current liabilities	**218.1**					**218.1**
Derivatives	**0.5**	**0.3**	**0.0**			**0.9**
Total	**302.5**	**24.0**	**727.7**	**3.2**	**16.9**	**1 074.4**

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**
Derivatives	**0.5**					**0.5**
Total	**347.7**	**862.3**	**1.4**	**30.7**	**0.3**	**1 242.4**

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 financially solid. 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.	2008	2007
Trade receivables not due	**62.1**	140.9
Trade receivables falling due in 1 – 30 days	**8.8**	16.8
Trade receivables falling due in 31 – 120 days	**1.3**	3.9
Trade receivables falling due in over 120 days	**3.7**	3.5
Total	**75.9**	165.0

The outstanding amount of trade receivables has diminished during 2008 since Stockmann has entered into an agreement with Nordea regarding its Loyal Customer Card. This agreement transfers the funding of Loyal Customer accounts to Nordea.
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 2008 (2007: EUR 1.9 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).
The purchase of Lindex, which was entirely financed by debt capital, significantly changed the capital structure of the Group. Part of the acquisition debt capital was repaid with the proceeds from equity issue in June 2008. The Board of Directors has the authority to further increase the share capital of Stockmann in total with 9 390 640 shares. The authorization is valid until March 17, 2011.
The strategic goal is to increase the equity ratio to at least 40 per cent. The ratio of equity to total capital at December 31, 2008 was 39.0 per cent (at December 31, 2007 it was 32.6 per cent).

30. 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, FAS

	Ref.	Jan.1- Dec. 31, 2008 EUR mill.	% of Rev.	Jan.1- Dec. 31, 2007 EUR mill.	% of Rev.
REVENUE		**711.3**	100.0	713.5	100.0
Other operating income	2	**35.9**	5.0	22.6	3.2
Materials and services					
Materials and consumables:					
Purchases during the financial year		**411.3**		415.9	
Variation in stocks, increase (-), decrease (+)		**2.5**		-2.5	
Raw materials and services, total		**413.9**	58.2	413.4	57.9
Staff expenses	3	**143.1**	20.1	137.1	19.2
Depreciation and reduction in value	4	**11.6**	1.6	11.6	1.6
Other operating expenses	5	**107.2**	15.1	99.3	13.9
		675.8	95.0	661.4	92.7
OPERATING PROFIT		**71.4**	10.0	74.7	10.5
Financial income and expenses	6	**20.9**	2.9	6.9	1.0
PROFIT BEFORE EXTRAORDINARY ITEMS		**92.3**	13.0	81.6	11.4
Extraordinary items	7				
Extraordinary income		**14.9**		18.2	
Extraordinary expenses		**-36.8**		-2.5	
Extraordinary items, total		**-21.9**	-3.1	15.7	2.2
PROFIT BEFORE APPROPRIATIONS AND TAXES		**70.3**	9.9	97.3	13.6
Appropriations	8	**0.4**	0.1	0.5	0.1
Income taxes					
For the financial year		**5.1**		25.4	
For previous financial years		**0.3**		0.0	
Income taxes, total		**5.4**	0.8	25.4	3.6
PROFIT FOR THE FINANCIAL YEAR		**65.3**	9.2	72.4	10.1

Parent company balance sheet, FAS

ASSETS	Ref.	Dec. 31, 2008 EUR mill.	Dec. 31, 2007 EUR mill.
NON-CURRENT ASSETS			
Intangible assets	9		
Intangible rights		**4.8**	2.8
Advance payments and projects in progress		**0.5**	1.7
Intangible assets, total		**5.3**	4.5
Tangible assets	10		
Land and water		**10.9**	12.4
Buildings and constructions		**148.4**	124.9
Machinery and equipment		**4.0**	6.8
Modification and renovation expenses for leased premises		**8.8**	10.3
Other tangible assets		**0.1**	0.1
Advance payments and construction in progress		**118.0**	80.5
Tangible assets, total		**290.1**	234.8
Investments	11		
Holdings in Group undertakings		**90.5**	87.6
Other shares and participations		**17.5**	17.5
Investments, total		**108.1**	105.2
NON-CURRENT ASSETS, TOTAL		**403.5**	344.5
CURRENT ASSETS			
Stocks		**72.8**	75.4
Non-current debtors			
Loans owed by Group undertakings		**932.1**	880.0
Non-current debtors, total		**932.1**	880.0
Current debtors	12		
Trade debtors		**16.0**	93.5
Amounts owed by Group undertakings		**145.8**	204.3
Other debtors		**6.4**	2.3
Prepayments and accrued income		**20.7**	1.2
Current debtors, total		**189.0**	301.4
Debtors, total		**1 121.1**	1 181.3
Cash and cash equivalents	13	**8.3**	4.7
CURRENT ASSETS, TOTAL		**1 202.2**	1 261.4
ASSETS TOTAL		**1 605.6**	1 605.9
LIABILITIES			
EQUITY	14-15		
Share capital		**123.4**	112.2
Premium fund		**186.3**	186.3
Reserve for invested unrestricted equity		**126.2**	
Other funds		**43.7**	43.7
Retained earnings		**91.8**	94.5
Net profit for the financial year		**65.3**	72.4
EQUITY, TOTAL		**636.8**	509.2
ACCUMULATED APPROPRIATIONS	16	**67.5**	67.9
CREDITORS			
Non-current creditors			
Loans from credit institutions		**745.1**	856.3
Non-current creditors, total		**745.1**	856.3
Current creditors	17-18		
Trade creditors		**49.7**	50.7
Amounts owed to Group undertakings		**30.8**	42.2
Other creditors		**46.3**	48.9
Accruals and prepaid income		**29.3**	30.8
Current creditors, total		**156.2**	172.6
CREDITORS, TOTAL		**901.3**	1 028.8
LIABILITIES TOTAL		**1 605.6**	1 605.9

Parent company cash flow statement

	2008 EUR mill.	2007 EUR mill.
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the financial year	**65.3**	72.4
Adjustments:		
Depreciation	**11.6**	11.6
Other operating income	**-18.6**	-15.7
Other adjustments	**22.2**	0.4
Financial income and expenses	**-20.9**	-6.9
Appropriations	**-0.4**	-0.5
Income taxes	**5.4**	25.4
Changes in working capital:		
Change in trade and other receivables	**109.7**	22.9
Change in inventories	**2.5**	-2.5
Change in trade payables and other liabilities	**-3.3**	-48.0
Interest and other financial expenses paid	**-46.1**	-4.9
Interest received	**56.3**	10.5
Income taxes paid	**-20.1**	-23.6
NET CASH FROM OPERATING ACTIVITIES	**163.6**	41.1
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on tangible and intangible assets	**-69.9**	-32.0
Additions to holdings in Group undertakings		-48.9
Proceeds from disposal of tangible assets	**5.3**	
Capital expenditures on other investments	**0.0**	0.0
Proceeds from disposal of other investments	**15.0**	
Loans granted	**-16.8**	-830.6
Dividends received	**0.1**	28.5
NET CASH USED IN INVESTING ACTIVITIES	**-66.2**	-883.0
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (+)/repayment of (-) loan receivables	**-106.3**	
Proceeds from issue of share capital	**134.6**	5.8
Proceeds from (+)/repayment of (-) short-term borrowings	**-9.3**	-24.6
Repayments of long-term borrowings	**-135.1**	
Proceeds from long-term borrowings	**117.6**	870.4
Dividends paid	**-75.2**	-72.1
Proceeds from (+)/ payment of (-) extraordinary items	**-20.2**	20.8
NET CASH USED IN FINANCING ACTIVITIES	**-93.8**	800.3
Change in cash and cash equivalents	**3.6**	-41.6
Cash and cash equivalents at start of the financial year	**4.7**	46.2
Cash and cash equivalents at end of the financial year	**8.3**	4.7

Notes to the parent company financial statements

1. Accounting principles

Stockmann plc's annual accounts have been prepared in accordance with the Finnish Accounting standards.

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, charges for services rendered to foreign subsidiaries as well as income from credit card co-operation.

Extraordinary income and expenses
The items stated as extraordinary income and expenses are contributions from and to Group companies.

Income taxes
The direct taxes entered in the profit and loss account are the taxes corresponding to net profit for the financial year as well as taxes payable for prior periods or tax refunds. Deferred taxes are not included in the parent's income statement and balance sheet.

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

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

- Intangible assets 5 years
- Goodwill 5 years
- Modification and renovation expenses for leased premises 5–10 years
- Buildings 20–50 years
- Machinery and equipment 4–10 years
- Motor vehicles and data processing equipment 3–5 years

Inventories
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 in includes all the direct costs of the purchase.

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

Other securities are valued at acquisition cost or, if their market value is lower, at this lower value.

Exchange and interest rate differences related to derivative agreements made to hedge against foreign exchange rate risk were entered on an accrual basis as financial income and expenses.

NOTES TO THE PROFIT AND LOSS ACCOUNT

2. OTHER OPERATING INCOME

EUR mill.	2008	2007
Group internal capital gains	**14.9**	
Other capital gains	**3.7**	
Income from creditcard co-operation	**2.4**	9.7
Other operating income	**0.1**	0.3
Rental income from subsidiaries	**3.8**	3.7
Compensation for services to Group companies	**10.9**	8.9
Total	**35.9**	22.6

3. STAFF EXPENSES

EUR mill.	2008	2007
Salaries and emoluments paid to the CEO and his alternate	**0.9**	1.3
Salaries and emoluments paid to the Board of Directors	**0.4**	0.3
Other wages and salaries	**112.4**	107.5
Wages during sick leave	**4.1**	3.7
Pension expenses	**18.2**	17.4
Other staff costs	**7.1**	6.9
Total	**143.1**	137.1
Parent company staff, average	**5 238**	5 157

Management pension liabilities

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

4. DEPRECATION AND REDUCTION IN VALUE

EUR mill.	2008	2007
Intangible rights	**1.1**	1.3
Modification and renovation expenses for leased premises	**1.8**	1.8
Buildings and constructions	**5.5**	4.5
Machinery and equipment	**3.2**	4.0
Total	**11.6**	11.6

5. OTHER OPERATING EXPENSES

EUR mill.	2008	2007
Site expenses	**60.7**	57.5
Marketing expenses	**13.5**	11.8
Goods handling expenses	**4.8**	4.5
Credit losses	**0.3**	0.5
Voluntary indirect employee costs	**2.5**	2.2
Other costs	**25.3**	22.8
Total	**107.2**	99.3

Auditors fees

EUR mill.	2008	2007
Audit fees	**0.2**	0.2
Certificate and advice	**0.1**	
Tax consulting	**0.1**	0.0
Other sevices	**0.0**	0.5
Total	**0.3**	0.8

6. FINANCIAL INCOME AND EXPENSES

EUR mill.	2008	2007
Interim dividend from Group undertakings	**36.3**	
Dividend income	**0.1**	0.1
Interest income from interest-bearing trade debtors	**4.5**	7.9
Interest income from Group undertakings	**51.3**	11.6
Other interest income	**0.2**	0.3
Interest and other financial expenses paid to Group undertakings	**-1.9**	-1.3
Other interest and financial expenses paid to parties outside the Group	**-50.5**	-7.0
Foreign exchange losses and gains (net)	**-19.3**	-4.6
Total	**20.9**	6.9

7. EXTRAORDINARY ITEMS

EUR mill.	2008	2007
Contributions from Group companies	**14.9**	18.2
Contributions to Group companies	**-36.8**	-2.5
Total	**-21.9**	15.7

8. APPROPRIATIONS

EUR mill.	2008	2007
Change in depreciation reserve		
Intangible rights	**-0.1**	0.1
Modification and renovation expenses for leased premises	**0.1**	0.1
Buildings and constructions	**-21.1**	-1.4
Machinery and equipment	**1.3**	1.7
Change in replacement reserve	**20.1**	
Total	**0.4**	**0.5**

Non-current assets

9. INTANGIBLE ASSETS

EUR mill.	2008	2007
Intangible rights		
Acquisition cost Jan. 1	**7.2**	9.0
Increases Jan. 1-Dec. 31	**3.1**	0.6
Decreases Jan. 1-Dec. 31	**-1.0**	-2.4
Acquisition cost Dec. 31	**9.3**	7.2
Accumulated depreciation Jan. 1	**4.4**	5.4
Depreciation on reductions	**-1.0**	-2.4
Depreciation for the financial year	**1.1**	1.3
Accumulated depreciation Dec. 31	**4.5**	4.4
Book value Dec. 31	**4.8**	2.8

Advance payments and projects in progress

EUR mill.	2008	2007
Acquisition cost Jan. 1	**1.7**	1.1
Increases Jan. 1-Dec. 31		0.7
Decreases Jan. 1-Dec. 31	**-1.2**	
Book value Dec. 31	**0.5**	1.7
Intangible assets, total	**5.3**	4.5

10. TANGIBLE ASSETS

EUR mill.	2008	2007
Land and water		
Acquisition cost Jan. 1	**6.5**	7.5
Decreases Jan. 1-Dec. 31	**-1.5**	-1.0
Acquisition cost Dec. 31	**5.0**	6.5
Revaluations Jan. 1 and Dec. 31	**5.9**	5.9
Book value Dec. 31	**10.9**	12.4

Buildings and constructions

EUR mill.	2008	2007
Acquisition cost Jan. 1	**144.4**	135.6
Increases Jan. 1-Dec. 31	**29.1**	10.0
Decreases Jan. 1-Dec. 31	**-3.6**	-1.2
Acquisition cost Dec. 31	**169.9**	144.4
Accumulated depreciation Jan. 1	**46.1**	42.8
Depreciation on reductions	**-3.6**	-1.2
Depreciation for the financial year	**5.5**	4.5
Accumulated depreciation Dec. 31	**48.0**	46.1
Revaluations Jan. 1 and Dec. 31	**26.5**	26.5
Book value Dec. 31	**148.4**	124.9

Machinery and equipment

EUR mill.	2008	2007
Acquisition cost Jan. 1	**34.0**	43.6
Increases Jan. 1-Dec. 31	**0.4**	0.7
Decreases Jan. 1-Dec. 31	**-8.2**	-10.3
Acquisition cost Dec. 31	**26.2**	34.0
Accumulated depreciation Jan. 1	**27.3**	33.5
Depreciation on reductions	**-8.2**	-10.3
Depreciation for the financial year	**3.2**	4.0
Accumulated depreciation Dec. 31	**22.2**	27.3
Book value Dec. 31	**4.0**	6.8

Modification and renovation expenses for leased premises

EUR mill.	2008	2007
Acquisition cost Jan. 1	**21.0**	20.8
Increases Jan. 1-Dec. 31	**0.3**	1.1
Decreases Jan. 1-Dec. 31	**-3.4**	-0.8
Acquisition cost Dec. 31	**17.9**	21.0
Accumulated depreciation Jan. 1	**10.7**	9.8
Depreciation on reductions	**-3.4**	-0.8
Depreciation for the financial year	**1.8**	1.8
Accumulated depreciation Dec. 31	**9.1**	10.7
Book value Dec. 31	**8.8**	10.3

Other tangible assets

EUR mill.	2008	2007
Acquisition cost Jan. 1	**0.1**	0.1
Increases Jan. 1-Dec. 31	**0.0**	
Decreases Jan. 1-Dec. 31		0.0
Acquisition cost Dec. 31	**0.1**	0.1
Book value Dec. 31	**0.1**	0.1

Advance payments and construction in progress

EUR mill.	2008	2007
Acquisition cost Jan. 1	**80.5**	52.9
Increases Jan. 1-Dec. 31	**37.5**	57.4
Transfers between items		-29.9
Acquisition cost Dec. 31	**118.0**	80.5
Book value Dec. 31	**118.0**	80.5

Tangible assets, total	**290.1**	234.9

Revaluations included in balance sheet values

EUR mill.	2008	2007
Land and water	**5.9**	5.9
Buildings	**26.5**	26.5
Total	**32.4**	32.4

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

11. INVESTMENTS

EUR mill.	2008	2007
Holdings in Group undertakings		
Acquisition cost Jan. 1	**87.6**	38.7
Increases Jan. 1-Dec. 31	**3.0**	48.9
Decreases Jan. 1-Dec. 31	**-0.1**	
Book value Dec. 31	**90.5**	87.6

Other shares and participations

EUR mill.	2008	2007
Acquisition cost Jan. 1	**17.5**	17.5
Increases Jan. 1-Dec. 31	**0.0**	0.0
Book value Dec. 31	**17.5**	17.5

Investments, total	**108.1**	105.2

Debtors

12. CURRENT DEBTORS

EUR mill.	2008	2007
Interest-bearing trade debtors	**2.3**	40.1
Non-interest bearing trade debtors	**13.7**	53.4
Trade debtors, total	**16.0**	93.5
Interest-bearing loan receivables		
Amounts owed by Group undertakings	**145.8**	204.3
Other debtors	**6.4**	2.3
Prepayments and accrued income	**20.7**	1.2
Current debtors, total	**189.0**	301.4

Amounts owed by Group undertakings

EUR mill.	2008	2007
Intra-Group trade receivables	**2.2**	5.6
Intra-Group interest receivables	**0.3**	3.1
Intra-Group dividend receivables	**36.3**	
Intra-Group loan receivables	**76.3**	122.9
Intra-Group account receivables	**16.0**	54.4
Group contribution receivables	**14.9**	18.2
Total	**145.8**	204.3

Essential items in prepayments and accrued income

EUR mill.	2008	
Deferred annual discounts	**0.3**	0.4
Periodized financial income and expenses	**5.3**	0.0
Deferred indirect employee costs	**0.7**	0.6
Tax receivables	**12.8**	
Other receivables	**1.6**	0.1
Total	**20.7**	1.2

13. CASH AND CASH EQUIVALENTS

EUR mill.	2008	2007
Cash in hand and at banks	**5.1**	0.1
Securities held in current assets	**3.2**	4.6
Total	**8.3**	4.7

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.	2008	2007
Market value Dec. 31	**5.1**	0.1
Book value Dec. 31	**5.1**	0.1
Difference		

14. CHANGES IN EQUITY

EUR mill.	2008	2007
Share capital		
Series A shares Jan. 1 and Dec. 31	**49.1**	49.1
Share issue	**4.0**	
Series A shares Dec. 31	**53.2**	49.1
Series B shares Jan. 1	**63.1**	62.2
Share issue	**7.2**	
Subscriptions with options	**0.0**	0.9
Series B shares Dec. 31	**70.2**	63.1
Share capital, total	**123.4**	112.2
Premium fund Jan. 1	**186.3**	183.7
Subscriptions with options	**0.0**	2.6
Premium fund Dec. 31	**186.3**	186.3
Reserve for invested unrestricted equity Jan.1		
Share issue	**126.2**	
Reserve for invested unrestricted equity Dec.12	**126.2**	
Other funds Jan. 1 and Dec. 31	**43.7**	43.7
Retained earnings Jan. 1	**166.9**	166.2
Dividends	**-75.2**	-72.1
Share bonus	**0.1**	0.4
Total	**91.8**	94.5
Net profit for the financial year	**65.3**	72.4
Equity, total	**636.8**	509.2

Breakdown of distributable funds Dec. 31

EUR mill.	2008	2007
Other funds	**169.9**	43.7
Retained earnings	**91.8**	94.5
Net profit for the financial year	**65.3**	72.4
Total	**327.1**	210.7

15. THE PARENT COMPANY'S SHARES

Par value EUR 2.00	Number of shares	Number of shares
Series A shares (10 votes each)	**26 582 049**	24 564 243
Series B shares (1 vote each)	**34 756 966**	31 159 809
Own B shares	**364 321**	369 560
Total	**61 703 336**	56 093 612

16. ACCUMULATED APPROPRIATIONS

EUR mill.	2008	2007
Depreciation difference	**67.5**	47.8
Voluntary provisions		20.1
Total	**67.5**	67.9

17. CREDITORS

EUR mill.	2008	2007
Current interest-bearing liabilities	**20.4**	22.4
Current non-interest-bearing liabilities	**135.8**	150.2
Total	**156.2**	172.6

Amounts owed to Group undertakings

EUR mill.	2008	2007
Other current-Group liabilities, interest-bearing	**27.9**	37.1
Current intra-Group trade payables, interest-fee	**0.3**	0.8
Other current intra-Group liabilities, interest-fee	**1.2**	1.0
Current accued intra-Group interest payable, interest-fee	**0.1**	
Group contributions payable, interest-fee	**0.9**	
Current accued intra-Group liabilities, interest-fee	**0.6**	3.2
Total	**30.8**	42.2

18. ESSENTIAL ITEMS IN ACCRUALS AND PREPAID INCOME

EUR mill.	2008	2007
Accrued staff expenses	**22.2**	24.0
Accrued interest expenses	**1.3**	3.5
Loan arrangement fee	**4.8**	
Accrued taxes	**0.2**	2.1
Dividend creditors	**0.3**	0.3
Other accruals	**0.5**	1.0
Total	**29.3**	30.8

19. SECURITY PLEDGED

EUR mill.	2008	2007
Security pledged on behalf of the company		
Mortgages given	**1.7**	1.7
Total	**1.7**	1.7
Security pledged on behalf of Group undertakings		
Rent guarantees	**40.2**	33.5
Other guarantees	**26.3**	21.0
Total	**66.5**	54.6
Security pledged, total		
Mortgages	**1.7**	1.7
Guarantees	**66.5**	54.6
Total	**68.1**	56.3

20. OTHER COMMITMENTS

Leasing commitments

Payable during the 2008/2009 financial year	**5.9**	6.4
Payable at a later date	**14.5**	16.9
Total	**20.4**	23.3

Investments in real estate

The company is required to adjust the VAT deductions made on real estate investments completed in 2005-2008 if the VAT-liable use of the real estate decreases during the adjustment period. The last adjustment year is 2017, and the maximum liability is EUR 39.3 million.

21. PENSION LIABILITIES

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

The pension liabilities are fully covered.

Shares and participations

Group undertakings

Parent company holdings	Number	Shareholding %	Voting rights %	Cur-rency	Book value, EUR thousands	Shareholders' equity EUR thousands
Oy Hobby Hall Ab, Helsinki	120 000	100	100	EUR	18 802	14 868
Seppälä Oy, Helsinki	30 000	100	100	EUR	5 046	13 009
Stockmann AS, Tallinn	16 200	100	100	EEK	1 022	25 513
SIA Stockmann, Riga	1 615 500	100	100	LVL	4 831	7 253
SIA Stockmann Centrs, Riga	31 500	63	63	LVL	116	1 394
Oy Stockmann Russia Holding Ab, Helsinki	4 000	100	100	EUR	796	1 071
Z-Fashion Finland Oy, Helsinki	50	100	100	EUR	8	359
Oy Suomen Pääomarahoitus-Finlands Kapitalfinans Ab, Helsinki	1 000	100	100	EUR	1 682	2 252
UAB Stockmann, Vilnius	52 000	100	100	LTL	1 510	-1 903
Stockmann Sverige AB, Stockholm	100 000	100	100	SEK	48 843	12 735
Kiinteistö Oy Mannerheimintien Pysäköintilaitos, Helsinki	300	100	100	EUR	3 030	1 175
Kiinteistö Oy Friisinkeskus II, Espoo	1 948	97	97	EUR	612	729
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					90 508	80 994

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	4 200
ZAO Stockmann, Moscow	2 000	100	100	RUB	587	-20 701
Oy Stockmann Russia Finance Ab, Helsinki	40 000	100	100	EUR	784	2 112
Bullworker Myynti Oy, Helsinki	100	100	100	EUR	8	484
Hobby Hall AB, Stockholm	1 000	100	100	SEK	22	8
ZAO Kalinka-Stockmann STP, St Petersburg	100	100	100	RUB	32	3 869
Stockmann Stp Centre Ltd, St Petersburg	5	100	100	RUB	13 037	7 996
TOV Stockmann, Kiev	1	100	100	EUR	106	-254
AB Lindex, Gothenburg	68 750 000	100	100	SEK	738 055	69 572
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 Oü, 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					756 194	67 287
Group undertakings, total					846 702	148 281

Joint ventures	Number	Shareholding %	Currency	Book value, EUR thousands
Kiinteistö Oy Raitinkartano, Espoo	1 029	15.6	EUR	5 015
Kiinteistö Oy Tapiolan Säästötammi Fastighets Ab, Espoo	3 125	37.8	EUR	5 657
Joint ventures, total				10 672

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 %	Currency	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				453
Other parent company holdings, total				17 546

Proposal for the distribution of parent company profit

The parent company's distributable funds according to the balance sheet at 31 December 2008 were EUR 327.1 million.

According to the Parent Company Balance Sheet at 31 December 2008, the following amounts are at the disposal of the Annual General Meeting:

- Retained earnings, including the Contingency fund and the Reserve for invested unrestricted equity	261 763 256.80
- Net profit for the financial year	65 301 197.01
	327 064 453.81

The Board of Directors proposes that this amount be distributed as follows:	
- on the 61 339 015 shares owned by external parties be paid a dividend of EUR 0.62 per share for the financial year 2008	38 030 189.30
- to be carried forward to the Contingency fund, Reserve for invested unrestricted equity and Retained earnings	289 034 264.51
	327 064 453.81

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.

The Board of Directors proposes to the Annual General Meeting that the Board be authorised to decide at its discretion later in 2009, Stockmann's financial standing permitting, on the payment of a dividend of no more than EUR 0.38 per share. 23 308 825.70

Helsinki, 13 February 2009

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 Annual General Meeting of Stockmann plc

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Stockmann plc for the year ended on 31 December 2008. The financial statements comprise the consolidated balance sheet, income statement, cash flow statement, statement of changes in equity and notes to the consolidated financial statements, as well as the parent company’s balance sheet, income statement, cash flow statement and notes to the financial statements.

The responsibility of the Board of Directors and the Managing Director

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

Auditor’s responsibility

Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company’s financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the report of the Board of Directors are free from material misstatement and whether the members of the Board of Directors and the Managing Director have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

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

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

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

Helsinki, 16 February 2009

Jari Härmälä	Henrik Holmbom
Authorized Public Accountant	Authorized Public Accountant

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