Annual Report
# 2010


STOCKMANN

## Contents



The Stockmann Group's Corporate Social Responsibility Report for 2010 will be published in spring 2011 on Stockmann's website, www.stockmanngroup.fi. It will also contain the Group's personnel report. Stockmann's website also presents the complete Financial Statements for 2010 and gives further information about the company's corporate governance and risk management.

*Cover picture: Stockmann's Nevsky Centre shopping centre was completed in November 2010.*

*Picture on right: The enlarged and renovated Helsinki flagship department store offers a unique fashion product range.*

# Stockmann in brief

Stockmann, established in 1862, is a Finnish listed company engaged in the retail trade. It has approximately 45 000 shareholders. The Group's revenue in 2010 was EUR 1 822 million. Stockmann's three divisions are the Department Store Division and the Lindex and Seppälä fashion chains. The divisions operate in thirteen countries. Stockmann's Department Store Division's distance retailing business in Finland operates under the Stockmann, Hobby Hall and Academic Bookstore brands. Lindex runs an online store in the whole EU area.

STOCKMANN
LINDEX
Seppälä

# 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.

# Information for shareholders

## Annual General Meeting
The 2011 Annual General Meeting of the shareholders of Stockmann plc will be held on Tuesday 22 March 2011 at 4.00 p.m. in the Concert Hall of Finlandia Hall at the address Mannerheimintie 13, Helsinki, Finland.

Registrations for the meeting must be received no later than on 14 March 2011 at 4.00 p.m., telephone +358 9 121 3260 or the company's website www.stockmanngroup.fi.

Those shareholders are entitled to participate in the Annual General Meeting, who have been entered on 10 March 2011 as shareholders in the Shareholder Register kept by Euroclear Finland Ltd.

A shareholder has 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. The requests for matters to be handled at the 2011 Annual General Meeting were to be sent to the Board of Directors by 12 January 2011.

## Payment of dividend
The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.82 per share be paid for the 2010 financial year. The dividend decided by the Annual General Meeting will be paid to a shareholder who on the record date for dividend payment, 25 March 2011, 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 8 April 2011.

## 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 2011:
- January-March Interim Report 28 April 2011
- January-June Interim Report 10 August 2011
- January-September Interim Report 26 October 2011

In addition to these reports, a monthly report on the units' revenue will be released. Financial reports and releases are published in Finnish, Swedish and English.

All of Stockmann's stock exchange releases will be available at www.stockmanngroup.fi on their date of publication.

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E-mail investor.relations@stockmann.com

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## Analyst coverage for Stockmann
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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00100 Helsinki, Finland
Tel. +358 (0)9 8866 6043

# Stockmann in 2010

## Key figures

| | | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|
| Revenue | EUR mill. | 1 300.7 | 1 398.2 | 1 878.7 | 1 698.5 | **1 821.9** |
| Staff expenses | EUR mill. | 204.7 | 224.1 | 350.5 | 327.4 | **361.9** |
| Share of revenue | % | 15.7 | 16.0 | 18.7 | 19.3 | **19.9** |
| Operating profit | EUR mill. | 129.5 | 125.2 | 121.9 | 85.1 | **88.8** |
| Share of revenue | % | 10.0 | 9.0 | 6.5 | 5.0 | **4.9** |
| Profit before taxes | EUR mill. | 128.9 | 119.4 | 71.7 | 61.1 | **74.2** |
| Investment in fixed assets | EUR mill. | 125.5 | 977.4 | 182.3 | 152.8 | **165.4** |
| Total assets | EUR mill. | 767.6 | 1 823.7 | 1 764.1 | 1 925.7 | **2 053.8** |
| Share capital | EUR mill. | 111.7 | 112.2 | 123.4 | 142.2 | **142.3** |
| Market capitalization at December 31 | EUR mill. | 2 028.6 | 1 659.8 | 611.6 | 1 396.7 | **2 047.1** |
| Dividend paid* | EUR mill. | 72.1 | 75.2 | 38.0 | 51.2 | **58.3** |
| Dividend per share* | EUR | 1.30 | 1.35 | 0.62 | 0.72 | **0.82** |
| Earnings per share, adjusted for share issue** | EUR | 1.93 | 1.56 | 0.65 | 0.82 | **1.10** |
| Earnings per share, diluted, adjusted for share issue** | EUR | 1.90 | 1.55 | 0.65 | 0.81 | **1.09** |
| Equity ratio | % | 74.5 | 32.6 | 39.0 | 44.1 | **43.1** |
| Return on equity | % | 19.4 | 15.2 | 6.1 | 7.0 | **9.0** |
| Return on capital employed | % | 22.9 | 12.1 | 8.3 | 5.8 | **5.8** |

*) *Board proposal to the AGM. According to the proposal, a dividend of EUR 0.82 per share will be paid.*
**) *2007 and 2008 restated due to rights issue in 2009.*

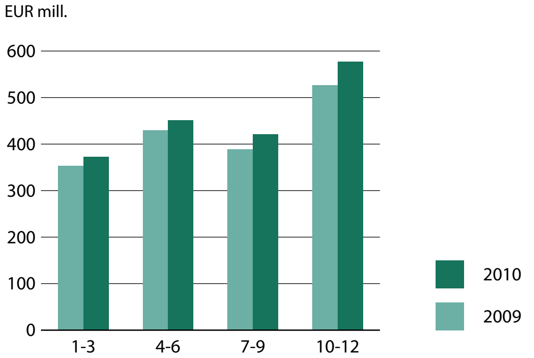
## Revenue by quarter 2009–2010, EUR mill.

| | Q1 2009 | Q2 2009 | Q3 2009 | Q4 2009 | **Q1 2010** | **Q2 2010** | **Q3 2010** | **Q4 2010** |
|---|---|---|---|---|---|---|---|---|
| Department Store Division | 224.9 | 257.5 | 215.6 | 332.0 | 226.0 | 265.5 | 235.0 | 373.4 |
| Lindex | 98.6 | 136.5 | 136.5 | 155.3 | 115.7 | 148.1 | 149.4 | 165.6 |
| Seppälä | 28.8 | 35.6 | 36.7 | 38.4 | 30.8 | 37.7 | 36.8 | 37.9 |
| Unallocated | 0.8 | 0.1 | 0.6 | 0.5 | 0.1 | 0.5 | -0.5 | 0.0 |
| **Group** | 353.2 | 429.7 | 389.3 | 526.3 | **372.6** | **451.7** | **420.7** | **576.9** |

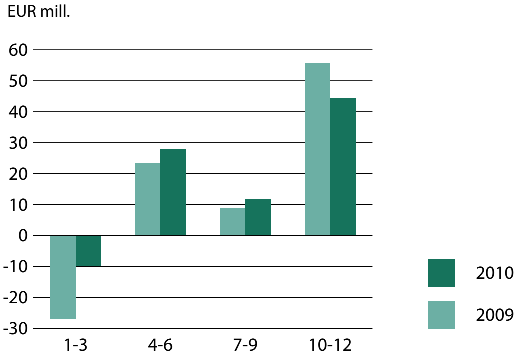
## Operating profit by quarter 2009–2010, EUR mill.

| | Q1 2009 | Q2 2009 | Q3 2009 | Q4 2009 | **Q1 2010** | **Q2 2010** | **Q3 2010** | **Q4 2010** |
|---|---|---|---|---|---|---|---|---|
| Department Store Division | -16.2 | 8.4 | -2.8 | 33.5 | -8.2 | 8.8 | 1.4 | 30.9 |
| Lindex | 0.2 | 19.7 | 18.1 | 24.2 | 2.1 | 19.5 | 16.2 | 17.1 |
| Seppälä | -2.8 | 3.0 | 2.9 | 4.9 | -0.9 | 4.8 | 2.2 | 2.8 |
| Unallocated | -3.1 | -2.5 | -0.5 | -1.7 | -2.1 | -2.2 | -1.4 | -2.3 |
| **Group** | -22.0 | 28.6 | 17.7 | 60.8 | **-9.2** | **30.9** | **18.4** | **48.5** |

Revenue by quarter 2009–2010




Profit before taxes by quarter 2009–2010



# Long-term financial targets

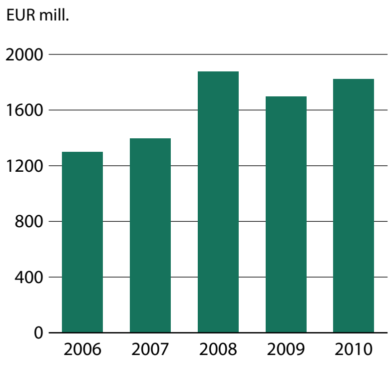
| | Return on capital employed | Operating profit % of revenue | Sales growth | Equity ratio |
|---|---|---|---|---|
| Target set in 2001 | Minimum 15% | Minimum 5% | Above industry average | |
| Actual 2001 | 9.8% | 3.6% | Achieved | |
| Actual 2002 | 12.6% | 4.7% | Achieved | |
| Actual 2003 | 13.2% | 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% |
| Actual 2009 | 5.8% | 5.0% | In line with industry average | 44.1% |
| Target set in 2010, up to 2015* | Minimum 20% | Minimum 12% | Above industry average | Minimum 40% |
| Actual 2010 | 5.8% | 4.9% | In line with industry average | 43.1% |

** Same as in 2008; the timetable for achieving the targets has been shifted by two years to 2015, due to the effects of the global financial crisis.*

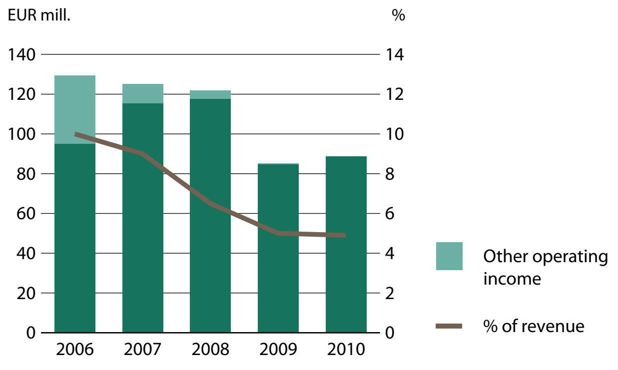
# Dividend policy

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.

Revenue 2006–2010




Operating profit 2006–2010



# Divisions in short

## Department Store Division


Stockmann's Department Store Division offers a remarkably broad and high-quality product range and excellent customer service and expertise in a high-grade and international shopping ambience. Hobby Hall, which was integrated into the Department Store Division from the start of 2010, operates a distance retailing business in Finland.

**Director for the division: Maisa Romanainen**

Share of Stockmann's revenue
EUR 1 099.9 million, 60%

Share of Stockmann's operating profit
EUR 32.9 million, 34%

15 department stores and 43 stores in 4 countries; 3 distance retail stores in Finland

## Lindex


Lindex offers inspiring affordable 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.

**Director for the division: Göran Bille**

Share of Stockmann's revenue
EUR 578.7 million, 32%

Share of Stockmann's operating profit
EUR 54.8 million, 57%

428 stores in 12 countries and an online store operating in EU area

## Seppälä


Seppälä is a fashion store chain selling clothing for women, men and children, footwear, accessories and cosmetics. 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.

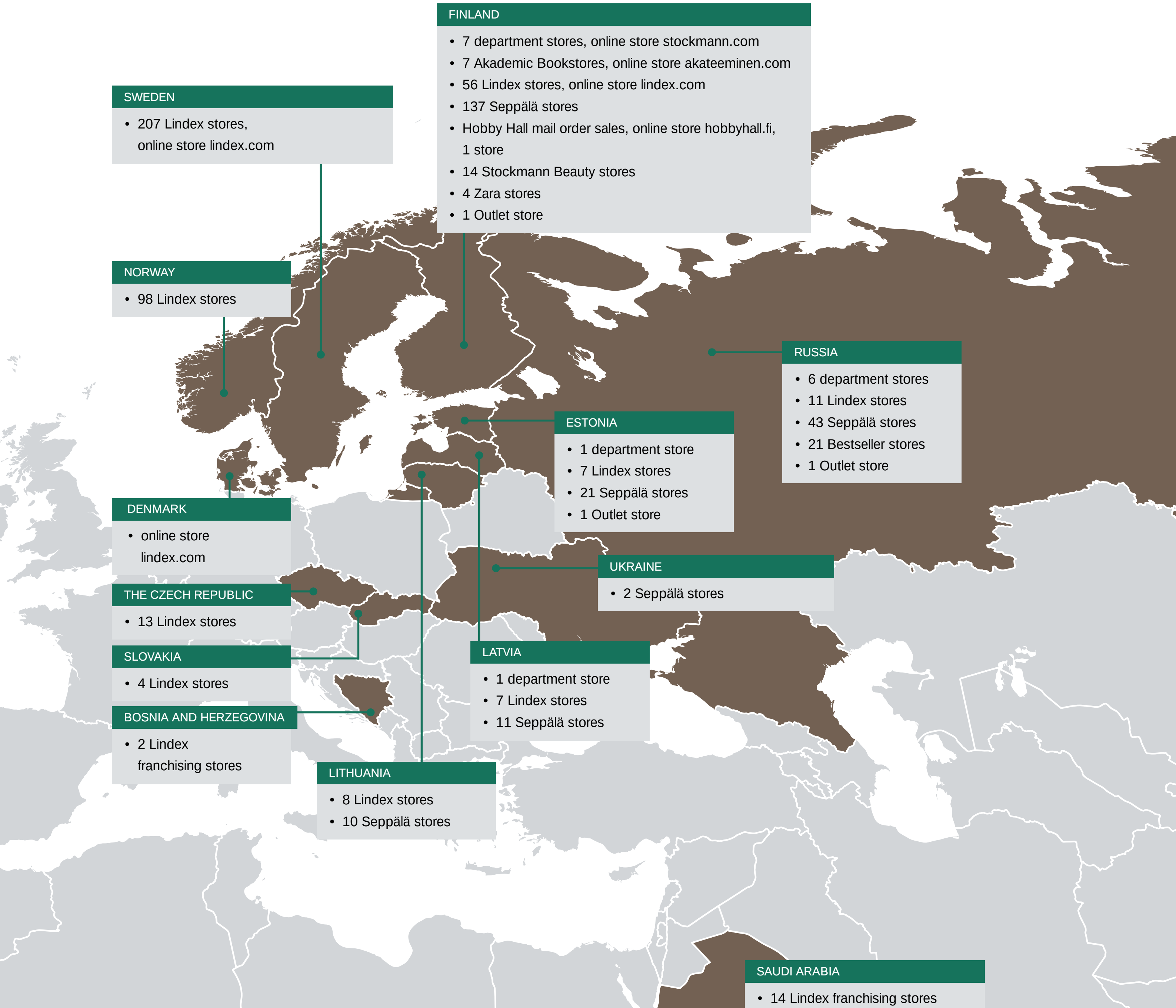
**Director for the division: Terhi Okkonen**

Share of Stockmann's revenue
EUR 143.2 million, 8%

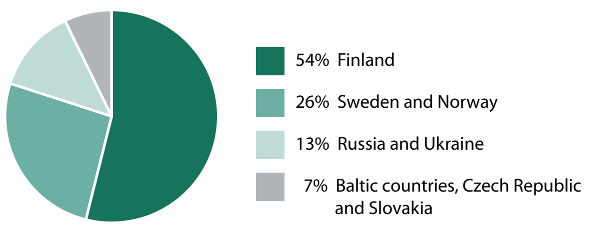
Share of Stockmann's operating profit
EUR 9.0 million, 9%

225 stores in 6 countries

# Stockmann’s commercial operations




Revenue by market 2010




*As of 31 December 2010*

# Major events in 2010

## January

The Stockmann Group's distance retailing company Hobby Hall was integrated with Stockmann's Department Store Division. This also enables the development of multichannel retailing for Stockmann's department stores.

## February

Stockmann came top in the 'International Expansion' category of the competition for 'Finland's Best Company', held by the Finnish magazine Suomen Kuvalehti.

## March

Moscow's fifth Stockmann department store was opened in the Golden Babylon shopping centre in the Rostokino district in north Moscow. Stockmann's capital expenditure on the department store, which has a total retail space of about 10 000 square metres, amounted to EUR 16 million.

Lauri Veijalainen was appointed Development Director for the Stockmann Group's international operations and a member of the Group's Management Committee as of 1 August 2010. Jussi Kuutsa, the previous Development Director for international operations, took up a new post outside the company.

The topping out ceremony for the Nevsky Centre shopping centre built for Stockmann in St Petersburg was held on 19 March 2010.

## April

Stockmann signed a contract for the enlargement of its Tampere department store, which operates in leased premises. The enlargement will increase the department store's retail space by about 4 000 square metres to 15 000 square metres. Access will also be constructed from the department store to a car park to be built under Hämeenkatu street. The opening of the new premises has been postponed to 2013 due to delays in the city planning process.

The legal proceedings in the dispute over the lease of the Smolenskaya department store were concluded. In 2008, the International Commercial Arbitration Court of Moscow (ICAC) ruled in favour of Stockmann in the dispute over the lease of Stockmann's Smolenskaya department store that was in the centre of Moscow. In order for the ruling to be enforced, the decisions of the Arbitration Court had to be confirmed by a Russian court of general jurisdiction. The decisions of the Arbitration Court were repealed in two court instances, and as the Supreme Court of Arbitration of the Russian Federation decided on 7 April 2010 not to hear Stockmann's appeal, the Arbitration Court's decisions in favour of Stockmann cannot be enforced in Russia.

Lindex's franchising partner opened a store in Dubai, United Arab Emirates, a new market area for the company.

## May

Lindex's new franchising partner opened a store in Bosnia and Herzegovina, which is another new market area for Lindex and for the entire Stockmann Group.

Lindex opened its lindex.com online store in Finland.

## June

The Stockmann Group revised its long-term financial targets in summer 2008, just before the start of the global financial crisis. These targets are as follows: at least a 20 per cent return on capital employed, a 12 per cent operating profit margin, an equity ratio of at least 40 per cent and a growth in sales that is faster than the general growth in the market. The effects of the global financial crisis have in part delayed the realistic timetable for achieving the targets. For this reason, the Board of Directors decided to keep the targets in force, but shifted the target timetable by two years to 2015.

## September

Stockmann department stores made the transfer to multichannel trading with the launch of the Stockmann online store at the address stockmann.com. The online store delivers products to addresses in Finland. The Stockmann Group currently has four separate online store brands: stockmann.com, hobbyhall.fi, akateeminen.com and lindex.com.

The new Delicatessen at the Helsinki city centre department store was fully opened, comprising retail space of 4 500 square metres all on one level. There is now a direct connection from the Delicatessen to the new underground car park.

The Academic Bookstore was the first bookstore in Finland to open a download shop for e-books. E-book readers also went on sale. E-books can be downloaded in the akateeminen.com online store and at the Academic Bookstores.


*Lindex started its franchise cooperation in the Middle East in autumn 2008. Four new stores were opened in Saudi Arabia and one in Dubai during 2010.*

*The Nevsky Centre shopping centre celebrated its official opening on 11 November 2010. Present at the opening event were, among others, Stockmann's CEO, Hannu Penttilä, Vice Governor of St Petersburg, Mihail Osejevski, and Prime Minister of Finland, Mari Kiviniemi.*

In celebration of its 80th anniversary, Seppälä published a book about the company's fashion history.

The Seppälä Club, Seppälä's loyal customer club, was launched in Estonia, Latvia and Lithuania. In Finland, the Seppälä Club was started in 2008.

## October

Stockmann's Crazy Days reached an all-time sales record of EUR 77.3 million. For the first time, the campaign lasted for five days in all market areas.

Lindex announced that it will open its first store in Poland in March 2011. Lindex also announced that it plans to open its Lindex Shop Online throughout the EU, after which it will be possible to purchase Lindex fashion items via the Internet in 27 European countries. The online store was opened in January 2011.

The Academic Bookstore's popular Kohtaamispaikka ("Encounters") sales event celebrated its 40th anniversary. The event has been a major attraction right from the start, where readers have come face to face with altogether more than 1 400 authors, poets and biography and memoir writers from all around the world.

Lindex introduced top designer Narciso Rodriguez's Pink Collection, from which one tenth of the sales price was donated to the Cancer Foundation's Pink Ribbon campaign against breast cancer. The Pink Collection was a major success, raising a total of almost EUR 800 000 for the Cancer Foundation.

## November

The Nevsky Centre shopping centre opened its doors to customers. Located centrally, on the Nevsky Prospect high street, the Nevsky Centre is the Stockmann Group's flagship in Russia. The building has about 100 000 square metres of gross floor space, of which about 50 000 square metres is store and office space. The Nevsky Centre's Stockmann department store, with about 20 000 square metres of retail space, is the Group's second largest. Lindex, Seppälä and Bestseller stores can also be found in the shopping centre, along with other retail stores, restaurants, office premises and an underground car park. The total capital expenditure on the shopping centre was approximately EUR 185 million.

The 'All-time Stockmann' major enlargement and transformation project at the Helsinki city centre department store was completed as planned. The opening ceremony was held on 28 November 2010 in the presence of a large group of guests. The project involved expanding the department store's commercial premises by about 10 000 square metres to a total of approximately 50 000 square metres by converting existing premises to commercial use and by building new space. Other elements of the project included construction of new goods handling and servicing facilities and a car park. The capital expenditure on the enlargement part of the project was EUR 198 million, in addition to which significant repair and renovation work was carried out.

A Stockmann Delicatessen kitchen was opened in Viinikkala, Vantaa, Finland. The kitchen will initially prepare ready-to-eat meals in modern premises for the Stockmann department stores in Helsinki, Tapiola, the Jumbo shopping centre and Itäkeskus. Later, the Turku and Tampere department stores will also become the kitchen's customers.

Stockmann's Department Store Division signed an agreement concerning new, modern warehousing facilities in the north-west part of Moscow. The total floorspace of the new warehouse is more than 10 000 square metres. The move to the warehouse took place in stages, and full operation will be achieved in spring 2011.

# CEO's review of 2010


2010 was a historic year for Stockmann in terms of the completion of major capital expenditure projects.

## Major commercial projects completed

The global economy, recovering from a severe crisis, began to grow more rapidly than expected during 2010. This growth was attributable especially to China's growing role in the world economy and China's rapidly growing domestic market, which caused raw material prices to rise sharply. There was also a shortage of production capacity in many areas, not least in the textile industry.

Europe was tested by the financial crisis that emerged in Greece and spread to Ireland, and to prevent the further transmission of this, the euro zone countries took strong counter measures. As a consequence of the crisis, economic growth was uneven among the countries of Europe. In all market areas of the Stockmann Group, the economy began to grow during 2010. With the rise in energy prices, the growth was strongest in Russia, but the general economic situation in the Nordic countries, too, was positive. An upturn also occurred in the Baltic countries towards the end of the year, although the severity of the crisis means that the situation is still far from its 2008 level.

Due to the upturn in the economy and as a consequence of the euro zone financial crisis, the currency exchange rates for Stockmann's main operating areas outside Finland gained against the euro. The confidence of consumers in their own financial outlook improved in the Nordic countries and in Russia.

### Historic year for capital expenditure

2010 was a historic year for Stockmann in terms of the completion of major capital expenditure projects. The 'All-time Stockmann' enlargement and renovation project at the Helsinki flagship department store was fully completed in November, having been started nearly ten years earlier. The principal changes brought about by the project are the significant enlargement of the department store's Delicatessen and bringing it all on to one level, the enlarged customer car park and logistics facilities, and the opening of the restaurant and service premises on the 8th floor of the department store. The project's positive impact on sales and customer service was clearly evident at the end of the year, although the purpose of the project was to improve the department store's competitive position in the longer term, over several decades.

Another major project was also completed in November, when the Nevsky Centre shopping centre and department store constructed on Stockmann's own site on St Petersburg's high street, Nevsky Prospect, were opened on schedule. Besides featuring the largest Stockmann department store in Russia, the Nevsky Centre also includes Lindex, Seppälä and Bestseller stores and more than 70 other companies, all Stockmann tenants. The Nevsky Centre will significantly boost the revenue and profitability of Stockmann's entire Russian operations.

The third major forward-looking commercial project opened during the latter part of the year was the Department Store Division's online store. Stockmann.com will become a key element of the multichannel strategy that will improve our service and provide department store customers the opportunity to choose the most suitable purchase and delivery channel for them at any given time. Integrated with the Department Store Division at the start of the year, Hobby Hall is continuing distance retailing in Finland under its own brand, as is the Academic Bookstore, with its akateeminen.com online sales channel.

Lindex and Seppälä continued to expand, in line with their strategies. Both chains opened a number of stores in Russia, and Lindex also opened stores in the Czech Republic, Slovakia and the Middle East. In all, the Stockmann Group opened two department stores and 50 fashion stores in 2010.

## Group earnings began to rise

The sales growth and an improvement in the relative gross margin enabled an increase in the Group's full-year operating profit, even though significant non-recurring costs incurred when taking the newly completed capital expenditure projects into use. However, the improvement in operating profit did not, ultimately, prove as great as was expected in the early autumn. Overheating and supply problems in the Far East procurement markets and the tough competition on domestic markets had an adverse impact particularly on our fashion chains' profit-earning capacity in the second half of the year.

The Department Store Division and Seppälä saw an improvement in their full-year operating profit, which was attributable particularly to improved earnings in Russia and the Baltic countries. Having achieved high earnings for several years in succession, Lindex's full-year operating profit was down in 2010, due to performance in the Nordic countries, in particular. Lindex's earnings were nevertheless good, and its operating profit in euros was the highest among Stockmann's divisions.

As a result of lower financial expenses and a decrease in the deferred tax liability, earnings per share increased by more than the operating profit, to EUR 1.10. A key financial planning decision was made in summer 2010, when the Group's long-term debt financing was renewed for five years.

The Board will propose that EUR 0.82 per share be paid as dividend for 2010, representing 74.5 per cent of the earnings per share.

Stockmann's market capitalization developed more favourably during the year than the general trend on the stock market. The market capitalization of Stockmann shares at the end of 2010 was EUR 2 047.1 million, representing a growth of 46.6 per cent.

As a result of the global financial crisis, the timetable for the long-term financial targets was moved back in summer 2010 by two years, to 2015. The equity ratio target has already been reached: the equity ratio was 43.1 per cent, as against the target of 40 per cent. The return on capital employed was 5.8 per cent in 2010, and the operating profit margin was 4.9 per cent. The Group's sales growth was in line with the industry average.

## Outlook for 2011

The global economy will continue to grow in 2011, driven by the world's emerging economies. The economic situation in Europe and the euro zone will depend to a significant extent on whether confidence in the functioning of the financial markets can be preserved. Growth in Europe will in any event be slower than in the emerging economies.

Among Stockmann's market areas, growth in the Russian market is expected to be somewhat higher than in the Nordic countries and elsewhere in Europe. A positive turnaround in the market has occurred in the Baltic countries, but the pace at which this continues is hard to assess.

The completed capital expenditure projects brought into use in 2010 will exert their full impact on the Stockmann Group's sales in 2011. The Department Store Division will also be opening a new department store in late March 2011, in Ekaterinburg, Russia. Lindex and Seppälä will continue to expand their store chains. Lindex will expand into Poland, a new market area, where it will open its first store in the spring.

The principal challenge for retailing and especially for our fashion chains will be the situation on the Far East procurement markets, which is creating pressure for price increases and a shortage of production capacity. Ensuring product availability must take top position in the list of targets for 2011.

We are striving to achieve continued revenue growth for the Group in 2011. Operating profit is expected to be above the previous year's figure. The Group's total capital expenditure in 2011 will be considerably less than in recent years.

May I take this opportunity to thank all our customers for the trust they showed in us during 2010. I would also like to thank all the Group's personnel and all our partners, especially for their role in ensuring that we were able to complete our major projects on schedule during the year while at the same time improving our earnings.

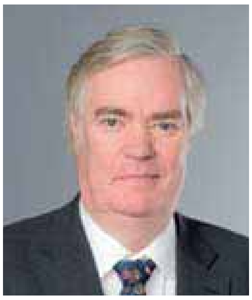
Helsinki, 9 February 2011

Hannu Penttilä
CEO

# Board of Directors and auditors


Christoffer Taxell


Erkki Etola


Kaj-Gustaf Bergh


Eva Liljeblom


Kari Niemistö


Charlotta Tallqvist-Cederberg


Carola Teir-Lehtinen


Henry Wiklund


Minna Mähönen


Rita Löwenhild

**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 2 375, B 11 364

**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 1 996 767, B 1 054 015

**Members of the Board**
*Kaj-Gustaf Bergh**
(b. 1955), LL.M., B.Sc.(Econ.), managing director, Föreningen Konstsamfundet r.f. Member of the Board since 2007. Shares: A 1 077, B 5 643

*Eva Liljeblom***
(b. 1958), D.Sc.(Econ.), rector, professor, Hanken School of Economics. Member of the Board since 2000. Shares: A 257, B 6 297

*Kari Niemistö***
(b. 1962), M.Sc.(Econ.), managing director, Selective Investor Oy Ab. Member of the Board since 1998.
Shares: A 3 168 650, B 1 025 701

*Charlotta Tallqvist-Cederberg***
(b. 1962), M.Sc.(Econ.), managing director, CTC Consulting Oy Ab. Member of the Board since 2010. Member of the Board's Appointments and Compensation Committee. Shares: B 1 857

*Carola Teir-Lehtinen***
(b. 1952), M.Sc., professional Board member. Member of the Board since 2004. Shares: B 6 788

*Henry Wiklund**
(b. 1948), M.Sc.(Econ.), Member of the Board since 1993. Member of the Board's Appointments and Compensation Committee. Shares: A 760, B 7 088

**Personnel representatives on the Board 1 April 2010 – 31 March 2011**
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.

*Minna Mähönen*
(b. 1972), 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.stockmanngroup.fi.

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

# Management Committee

Hannu Penttilä

Pekka Vähähyyppä

Maisa Romanainen

Göran Bille

Terhi Okkonen

Lauri Veijalainen

Jukka Naulapää

*Hannu Penttilä*
(b. 1953), LL.M., CEO. Joined Stockmann's 1978, at the present position since 2001.
Shares: A 111, B 13 826
Options: 2006B 8 000, 2006C 13 600, 2010A 40 000

*Pekka Vähähyyppä*
(b. 1960), M.Sc.(Econ.), executive vice president, CFO. Joined Stockmann's 2000, at the present position since 2008.
Shares: B 5 557
Options: 2006B 4 000, 2006C 6 800, 2010A 24 000

*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: B 1 500
Options: 2006B 2 500, 2006C 4 250, 2010A 24 000

*Göran Bille*
(b. 1955), B.Sc.(Econ.), CEO, Lindex. Joined Stockmann's 2007, at the present position since 2004.
Shares: B 15 877
Options: 2006B 2 000, 2006C 6 800, 2010A 24 000

*Terhi Okkonen*
(b. 1961), eMBA, managing director, Seppälä. Joined Stockmann's 1991, at the present position since 2005.
Shares: B 1 401
Options: 2006B 4 000, 2006C 6 800, 2010A 18 000

*Lauri Veijalainen*
(b. 1968), Development Director for the Group's international operations. Joined Stockmann's 2010, at the present position since 2010.
Shares: B 1 125
Options: 2010A 18 000

*Jukka Naulapää*
(b. 1966), LL.M., Director, legal affairs. Joined Stockmann's 1998, at the present position since 2006.
Shares: B 1 650
Options: 2006B 4 000, 2006C 6 800, 2010A 12 000

Stockmann plc shares and options in the personal ownership of the members of the Board of Directors and Management Committee as well as in the ownership of their related persons reported at 31 December 2010, exclusive of the 2008 Loyal Customer options, a total number of 602 of which were in the ownership of the members of the Board and a total number of 1 152 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.stockmanngroup.fi. Information on Stockmann plc shares and options is available on pages 38–43 of the Annual Report.

# Department Store Division

- *The renovated and expanded Delicatessen in the Helsinki department store is a success. Its superior selection is an important reason for the growth of food sales in 2010.*
- *The Stockmann department store in St Petersburg opened in November 2010. Now it's possible to meet under the Stockmann clock in St Petersburg as well as in Helsinki.*

Key figures

| Department Store Division, EUR mill. | 2010 | 2009 | change % |
|---|---|---|---|
| Revenue | 1 099.9 | 1 030.0 | 7 |
| Proportion of Group revenue, % | 60.4 | 60.8 | |
| Operating profit* | 32.9 | 22.8 | 44 |
| Return on capital employed, %* | 4.6 | 3.8 | |
| Capital employed | 709.6 | 706.9 | 0 |
| Investments | 131.1 | 125.7 | |
| Staff, December 31 | 9 806 | 8 745 | 12 |
| Sales area, square metres | 225 000 | 194 030 | 16 |

** including other operating income*

# Enlargements and new openings boost growth

Stockmann's Department Store Division operates seven department stores in Finland, six in Russia and two in the Baltic countries. The division also includes, in Finland, the Hobby Hall and Stockmann distance retailing operations, the Academic Bookstores and the Stockmann Beauty cosmetics stores, in St Petersburg the Nevsky Centre shopping centre, and the franchising fashion chains Zara in Finland and Bestseller in Russia.

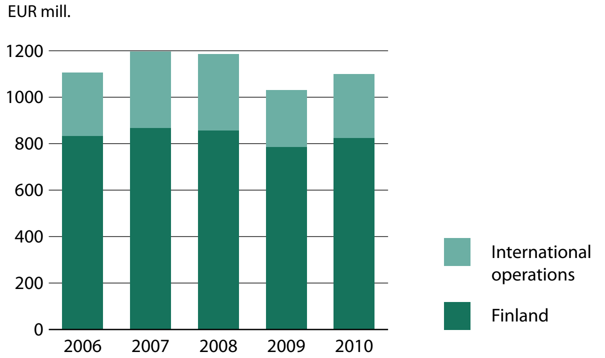
The Stockmann department stores offer customers a uniquely extensive and high-quality product range, a competitive price/quality ratio as well as excellent and professional customer service in an inspiring shopping environment with an international ambience.

For the Department Store Division, 2010 was a year of major changes and new openings. Two major projects were opened in November: the enlargement and renovation of the flagship department store in Helsinki city centre, and the Nevsky Centre shopping centre and department store in St Petersburg. The Department Store Division also invested considerable resources in multichannel retailing: Hobby Hall, which focuses on the Finnish market, was integrated with the division at the start of the year, and the stockmann.com online store was opened in September.

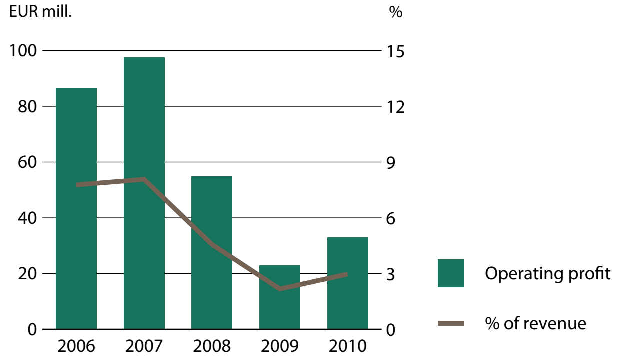
The Department Store Division's revenue in 2010 came to EUR 1 099.9 million. The comparable growth on the previous year was 7.7 per cent. Operating profit was up significantly, at EUR 32.9 million. The Finnish economy recovered from the downturn, and Stockmann department store sales in Finland outperformed the growth in the market. The Department Store Division's revenue in Finland totalled EUR 826.4 million, up 5.2 per cent from a year earlier. In Finland, the highest revenue growth was in the Helsinki flagship department store, where the major enlargement and renovation project was completed in stages during the year. By contrast, the economic recovery in the Baltic countries was slow, and consumer demand did not begin to rise until the end of the year. The revenue of the department stores in the Baltic countries remained nearly at the previous year's level, totalling EUR 81.9 million.

The Department Store Division's revenue in Russia amounted to EUR 191.7 million, an increase of 26.7 per cent on the previous year. The revenue increase was attributable in particular to the opening of the St Petersburg department store and Nevsky Centre shopping centre in November and the March opening of Moscow's fifth Stockmann department store, in the Golden Babylon shopping centre. The franchising-based Bestseller fashion chain consisted of 21 stores at the end of the year, which was one more than in 2009. The chain focused on improving its gross margin and profitability from the previous year's figures, and it did in fact achieve signifi-

Development of the Department Store Division's revenue 2006–2010




Development of the Department Store Division's operating profit 2006–2010





- € *Customers are accustomed to finding world-famous cosmetics brands in the cosmetics department located on the 1st floor of the Helsinki department store. Now also Giorgio Armani Cosmetics are included in the famous brands available.*
- / *The popular jewellery brand Thomas Sabo became a part of the Helsinki department store's selection after the department store's enlargement.*

cantly better results in these areas. The growth in Russia's retail market was still considerably lower than in the years preceding the downturn, but the market picked up during the year. The exchange rate trend for the rouble was steadier than during the previous year, and this helped in managing the gross margin.

Key objectives of the Department Store Division's operations include a favourable trend in sales and in the gross margin in relation to prevailing market conditions, careful management of costs and stock, and efficient use of capital. A particular challenge in 2010 was the need to ensure that timetables and cost targets set for the major new openings were met and that purchasing activities were managed successfully as the new units were opened. With the expanded operations, stock value was 24.6 per cent higher than a year earlier, though there was a further improvement in stock turnover.

The gross margin improved in all countries of operation and in all units. The relative gross margin increased to an all-time high, at 42.4 per cent, compared with 39.8 per cent a year earlier. Operating profit was EUR 32.9 million, which was up significantly from the previous year's EUR 22.8 million on account of the higher revenue and improved gross margin. The major capital expenditure programme was concluded late in the year, bringing the return on capital employed to 4.6 per cent.

## Enlargement completed at Helsinki department store

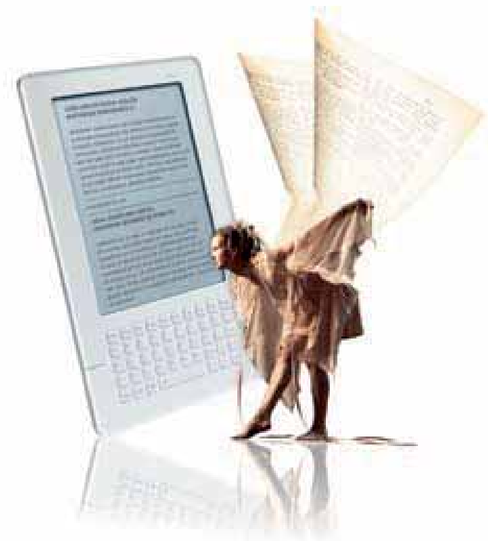
The completion of the 'All-time Stockmann' enlargement and renovation project at the Helsinki flagship department store was celebrated in November together with Loyal Customers and stakeholders. Construction work began back in 2006, and the work was completed in stages during 2009 and 2010. The stages completed in 2010 were the fully remodelled Delicatessen, covering 4 500 square metres, the pedestrianised Keskuskatu street, new lift connections to the car park, the new restaurant areas and numerous remodelled sales departments.

The Helsinki department store now comprises approximately 50 000 square metres of retail space, making it one of Europe's biggest department stores. Stockmann's net capital expenditure on the project was EUR 198 million, in addition to which a significant amount of renovation and repair work was carried out in the property during the course of the project. These changes also brought a large number of new, internationally known brands to the department store's product range, as well as various new services. More focus was given on active and high quality customer service, and a sales coaching programme was run for all the staff in the department store. The sales trend at the Helsinki department store significantly outperformed the market, and the enlargement and renovation project also boosted the number of visitors and customers.

> From the very start, sales at the St Petersburg department store have been excellent.

## Nevsky Centre opened in St Petersburg

November saw the completion of another major project for the Department Store Division in the form of the Nevsky Centre shopping centre and department store built in the heart of St Petersburg. The Nevsky Centre's total floor space is 98 000 square metres, of which almost 50 000 square metres is occupied by commercial premises. The shopping centre's Stockmann department store, the largest in Russia, comprises 20 000 square metres. In addition, the shopping centre has more than 70 tenants engaged in commercial operations. The property also includes 5 500 square metres of leasable office space and a modern car park for over 500 vehicles.



€ *Academic Bookstore was the first bookstore in Finland to sell electronic books. There are thousands of books available for downloading and the number is increasing.*

Ÿ *Hobby Hall's online and mail-order business widens the offering of the Department Store Division in Finland.*

The Nevsky Centre is excellently located on St Petersburg's high street, close to a busy metro station. The total capital expenditure on the project was approximately EUR 185 million. All the retail premises in the shopping centre had been leased by the time of the opening. Stockmann recruited and trained a total of 700 local employees for the shopping centre and department store. From the very start, sales at the St Petersburg department store have been excellent, and the shopping centre has been favourably received by customers in the city.

## Multichannel Stockmann

Online and multichannel retailing constituted a major focus of development for the Department Store Division during 2010. Stockmann has invested considerably in building its distance retailing operation.

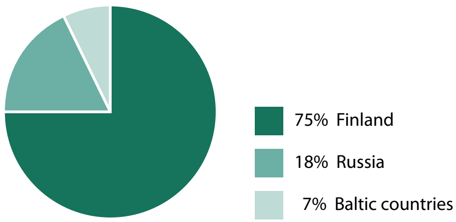
Integrated with the Department Store Division since the start of 2010, Finland's leading distance retailer, Hobby Hall, has gone through a major reorganisation. Marketing, logistics, administration and in part also purchasing have been integrated with the division's organisation, and synergy benefits have been achieved in a number of different areas. Concentrating on the Finnish market has helped improve profitability and steered resources towards developing the online store in particular.

In September, the Stockmann department stores' own online store was opened, initially offering an extensive range of brand products in fashion, household items and electronics to customers in Finland. The stockmann.com online store combines the services of a conventional store, while at the same time genuinely turning the department stores into a multichannel retailing operation. Hobby Hall's expertise has been very extensively utilised in the processes and background operations of Stockmann's online store.

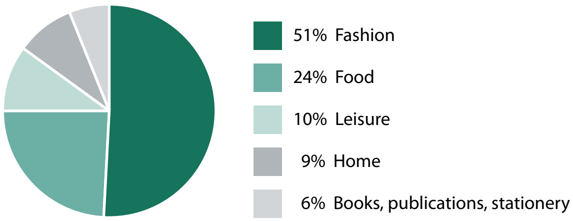
## Academic Bookstore expands into e-books

The Academic Bookstore's online store has been growing and evolving for several years now. At akateeminen.com, customers can choose from several hundred thousand titles, covering both

Distribution of the Department Store Division's revenue by market 2010




Distribution of the Department Store Division's revenue by merchandise sector 2010





€ *The expansion of the Helsinki department store made it possible to add new fashion brands to the store's selection. Karen Millen, an English brand known for its high-quality women's wear, has been available since August 2010.*

/ *Ralph Lauren home textiles are now available at Stockmann.*

Finnish and international works. In September, Academic Bookstore became the first bookstore in Finland to offer electronic books, which can be downloaded at the online store or in the Academic Bookstores.

The Academic Bookstore's Kohtaamispaikka ("Encounters") sales event celebrated its 40th anniversary in October. Kohtaamispaikka is a lively in-store event at which writers, among them Nobel prize winners, new authors, even royalty, are interviewed, each occasion being a unique experience. Over the years a total of over 1 400 writers have come face to face with readers at these events.

## Unique selection

International, high-quality brand products form the core of the Stockmann department stores' product range. The enlargement of the Helsinki department store brought with it a large number of new brands, such as Giorgio Armani cosmetics, Ralph Lauren home textiles, Mango and Karen Millen fashion, Thomas Sabo jewellery and an Apple shop-in-shop in the electronics department. The selections in all product areas in Russia also grew with the opening of the St Petersburg department store.

Stockmann's own brands remain an important focus of development, and a new Zoye M clothing brand for young women was launched during the year. In Stockmann's own brand fashion products, an increasing number of purchases have been made through the Group's purchasing offices, and attention has been given to monitoring responsibility in the supply chain. During the year, Stockmann Delicatessen's own brands, such as Stockmann Delikatess and Stockmann Gourmet, were given stylish new packaging and a large number of new products were added to the range.

The products from the Stockmann Delicatessen kitchen were renewed with the opening of a new, centralised Delicatessen kitchen in Vantaa in November. The central kitchen is initially serving the department stores in the Helsinki region, but will later also serve the department stores in Tampere and Turku. The opening of the Delicatessen in the Helsinki city centre department store meant an expansion in the range of fresh food products offered, and particular attention was given to local products and organically produced food, the demand for which has been increasing.

## Pleasure and inspiration for customers

The Stockmann department stores have a total of over 2.2 million Loyal Customers in Finland, Russia and the Baltic countries. Loyal Customer marketing was given a major overhaul in 2010. In addition to the monthly Loyal Customer benefits booklet, all Loyal Customers in Finland now receive the new Premiere magazine on a regular basis, which presents the latest products and seasonal trends while also offering various benefits from an expanded range of partners. Stockmann's Exclusive Customers receive a high-quality magazine that concentrates especially on the expanded range of products and services available from the Helsinki department store. Loyal Customer cooperation continued with Nordea on the Finnish market and in the Baltic countries, and with Citibank on the Russian market, and the number of Stockmann Mastercards grew in all countries of operation. Spring 2011 will see the launch in Finland of a new 'First' designation for the highest spending Loyal Customers, which will attract a number of new benefits and services.

The Department Store Division's major Crazy Days campaign became a five-day event in all countries of operation, and broke all-time sales records in both the spring and autumn. The campaign was featured for the first time in the social media too, and the Crazy Days ghost figure attracted a large number of friends on its Facebook page.

## Efficient support functions

In December 2010, a decision was taken by the Department Store Division to acquire a new enterprise resource planning (ERP) system. The aim is that this major system project, which will take several years to complete, will be started during spring 2011. In all countries of operation and in all merchandise areas, the project will mean well-defined goods flow processes and supporting system solutions that enable efficient chain operations. At the same time, another project will reorganize the purchasing operations into a chain organisation



€ *The number of Stockmann's Loyal Customers keeps on increasing. At the moment there are over 2.2 million Loyal Customers. A new black card for 'First' designated Loyal Customers was launched at the beginning of 2011.*

Ÿ *The online store stockmann.com was launched in autumn 2010 thus making Stockmann department stores a multichannel retailing operation.*

and reshape the purchasing processes. This will also support the ERP project. The aim of the changes in the purchasing operation is a more efficient operating model with clearly defined processes and responsibilities throughout the chain regarding product selection decisions, stock management and product allocation.

The central warehouse in Russia was relocated at the end of the year to new, modern, leased premises in the Moscow area with good transport links.

## 2011 – capital expenditure to bear fruit

The retail sector has shown moderate growth in all countries of operation, and this trend is expected to continue in 2011. The Department Store Division's revenue growth during the year will be boosted by the remodelled Helsinki flagship department store and the St Petersburg department store opened in the Nevsky Centre shopping centre.

Distance retailing will grow as the Stockmann, Hobby Hall and Academic Bookstore online stores are developed further. In particular, the stockmann.com online store launched in the autumn will feature additional new products and services, and will provide an improved service for Loyal Customers as part of a multichannel Stockmann Department Store Division. The Academic Bookstore online operation will also be remodelled during the year.

Operations in Russia will be expanded during 2011 with the opening of a Stockmann department store in the city of Ekaterinburg at the end of March. Progress is being made on the enlargement plans for the Tampere department store, but due to delays in the plan process the opening target for the enlarged department store has been postponed to 2013.

During 2011 attention will again be given to managing purchases and stocks and further developing product selections in all countries of operation, which will improve the profitability of the business. Several department stores in Russia as well as the Stockmann online store are, however, still in their starting phase. Despite this, the operating profit of the division is estimated to grow in 2011.

AKATEEMINEN KIRJAKAUPPA
AKADEMISKA BOKHANDELN

HOBBY HALL

STOCKMANN
.COM

Distance retailing will grow as the online stores are developed further.

# Lindex


€ *The international expansion continues and in 2010 a total of 36 stores were opened.*

Ÿ *Behind the success are Lindex's offering and business concept: inspiring affordable fashion for style-conscious women.*

## Key figures

| Lindex, EUR mill. | 2010 | 2009 | change % |
|---|---|---|---|
| Revenue | 578.7 | 527.0 | 10 |
| Proportion of Group revenue, % | 31.8 | 31.0 | |
| Operating profit* | 54.8 | 62.1 | -12 |
| Return on capital employed, %* | 6,3 | 8.1 | |
| Capital employed | 867.6 | 773.5 | 12 |
| Investments | 28.2 | 22.2 | |
| Staff, December 31 | 4 709 | 4 464 | 5 |
| Number of stores** | 428 | 395 | 8 |

** including other operating income*
*** 17 of them are Lindex's franchising stores*

# Expansion continues in international markets

Lindex is one of the leading fashion chains in Northern Europe, with 428 stores in Sweden, Norway, Finland, the Baltic countries, Central Europe, Russia and the Middle East.

Lindex's mission is to offer inspiring affordable fashion. The product offering of ladies' wear, lingerie, children's wear and cosmetics includes a variety of concepts. Design collaboration with guest designers has boosted Lindex's position as an international fashion brand.

In 2010, the clothing industry began to show moderate growth again, following the downturn in 2008 and 2009. Clothing sector sales grew in Sweden, Norway and Finland, but tough competition meant that Lindex's sales on these markets, especially Norway, were slightly lower than expected.

The economic situation in the Baltic countries and Central Europe continues to be weaker than in the Nordic countries. Lindex's sales were nevertheless good in its new markets in the Czech Republic, Slovakia and Russia. The fashion chain has been well received, and the sales in stores which have been operating for more than 12 months have developed well. Overall, Lindex expanded considerably in 2010 and opened 36 new stores.

Lindex's revenue grew in 2010 to EUR 578.7 million, up 9.8 per cent on the 2009 figure. Revenue in local currencies was also slightly up. Revenue picked up strongly in the first half of the year, but late deliveries due to a shortage of production capacity had an adverse impact on revenue in the latter part of the year.

Operating profit was EUR 54.8 million, which was 11.8 per cent less than the previous year. This decrease was primarily attributable to the major expansion undertaken in recent years and in part also to the slightly lower sales figures than expected. The relative gross margin remained at a high and stable level, at 63.1 per cent.

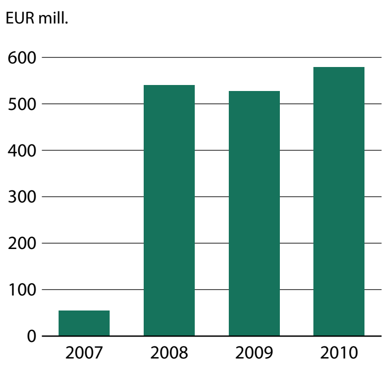
## Lindex expands into new markets

Lindex has been expanding over the last few years and has grown into a successful international fashion company. Its success is based on its product offering and its business concept: inspiring affordable fashion to style-conscious women. Customers especially value the way ladies' wear, children's wear and lingerie can all be found under one roof at Lindex.

In 2010 Lindex continued its growth on existing markets and expanded into two new markets as well. Lindex opened four stores in Sweden, six in Norway, two in Finland, eight in the Czech Republic, two in Slovakia, five in Russia, two in Bosnia and Herzegovina, two in the Baltic countries and five in the Middle East. At the end of the year Lindex had a total of 428 stores in 12 countries.

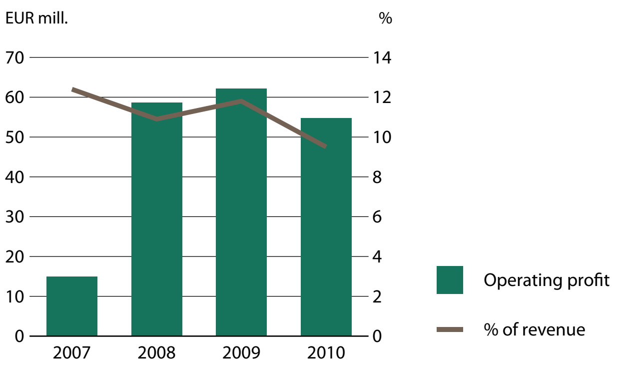
One of the year's key events was the opening in March 2010 of Lindex's first store in Dubai, in the United Arab Emirates. The store,

Development of Lindex's revenue 2007–2010*




* Revenue recorded for the Stockmann Group since 6 December 2007

Development of Lindex's operating profit 2007–2010*




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

€ *The store concept undergoes constant development so that Lindex can offer a world class fashion experience. Store interiors play an important role in marketing.*

/ *Lindex Shop Online is a successful online store and as from 2011 Lindex's fashion collections are offered on the internet in all EU countries.*

which was Lindex's 400th, is located in Dubai's large Mirdif City Centre shopping centre. Lindex began operations in the Middle East in 2008, and with its franchise partner it has now opened 15 stores in the region in two years. The franchise cooperation has worked very well, and the aim over the next five years is to open about 30 new stores in Saudi Arabia and the United Arab Emirates.

During 2010, Lindex began to work with a new franchise partner in Bosnia and Herzegovina. Lindex's first store was opened there in May, in the capital, Sarajevo. The opening was a success, which led to a second store being opened in Banja Luka in October. In all, Lindex expects to open 10 stores in Bosnia and Herzegovina during the next five years.

The focus on Central Europe is an important part of Lindex's strategy. New openings during the year included stores in the Czech capital, Prague, and the Slovak capital, Bratislava. In total, Lindex opened 10 stores in these two countries in 2010. All these have been a success.

Lindex has also expanded in Russia, where it opened five stores during the year. In November, the company opened its second store in St Petersburg, in Stockmann's new Nevsky Centre shopping centre. The aim is to open 150 stores in Central Europe and Russia in the next five years.

Lindex's online store has operated very successfully in Sweden and Denmark, and since May 2010 the company's fashion-conscious customers in Finland have also been able to purchase fashion from Lindex over the Internet. The international expansion of the online store will continue in 2011, when it will be opened for business throughout the European Union. Lindex's fashion collections will then be available to customers online in all 27 EU countries.

## Efficient flows of goods

Lindex has strongly developed its business processes in order to ensure it can fulfil its future growth potential. One key success factor has been the company's efficient logistics and delivery processes. During 2010 Lindex focused on improving the efficiency of its logistics processes, from purchasing all the way through to store delivery. Products should normally be in the stores and not in stock rooms. For Lindex's stores, this change means that volumes are better adjusted and there is less goods handling. The aim is also to improve stock turnover.

{ The focus on Central Europe is an important part of Lindex's strategy.

Lindex and its Czech logistics partner have recently began managing the logistics operation outside the Nordic countries. All deliveries were earlier handled from Lindex's distribution centre in Gothenburg, Sweden, but the need for additional capacity has grown as operations have expanded. The remodelled goods distribution will add flexibility to deliveries and make it easier to create different sales concepts.

## World class fashion experience

Lindex's design and purchasing departments create and build fashion that allows the company to provide its fashion-conscious female customers with an unrivalled product range. Lindex's fashion is inspiring, feminine and surprising. It features carefully considered details, the right fashion sense and new products that frequently change. The collections are a combination of basic clothing and the latest fashion.


Nadia Frantsen

€ *Lindex has made an intense effort to improve its processes. Effective logistics and product deliveries are essential in getting the products to the customers at the right time.*

Ÿ *A fabulous collection designed by the American designer Narciso Rodriguez brought in almost EUR 800 000 to the Cancer Foundation.*

Collaboration with outside designers continued during the year. In October, Lindex launched a unique design collection in collaboration with American designer Narciso Rodriquez. Ten per cent of the sales price of the collection was donated to the Pink Ribbon campaign of the Cancer Foundation. The collection was a huge success and resulted in a donation of almost EUR 800 000 to the foundation to support breast cancer research.

Collaboration with designer Ewa Larsson continued during 2010. In May, the extravagant Affordable Luxury fashion collection was launched, comprising carefully designed, well-fitting garments and accessories. In the run up to Christmas, Ewa Larsson also launched a design collection of lingerie, luxurious lounge wear and magnificent jewellery.

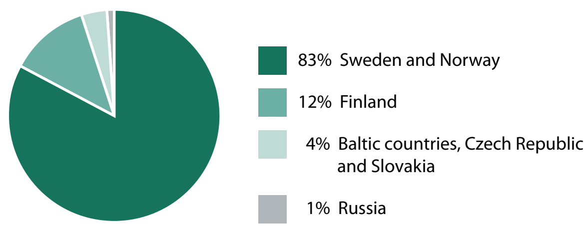
## Expansion to continue in 2011

During 2010 Lindex focused on improving the efficiency in the flows of goods, shortening lead times and ensuring profitable expansion. This will continue in 2011. Lindex will also during the year present a new store concept. The stores are Lindex's most important sales channel, and they convey the company's message to customers via attractive interiors, product displays and in-store marketing.

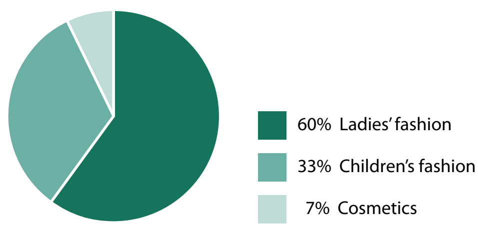
Lindex intends to open a total of 40 new stores in 2011. Poland is an important future market, and Lindex's first Polish store will open in March 2011. Most of the expansion will be in the new markets of Russia, Poland, Slovakia and the Czech Republic, but there are also expansion opportunities in established markets. Lindex's long-term growth target remains unchanged: to open 40-50 stores each year, and at the same time to increase like-for-like sales.

Rising raw material prices and the shortage of production capacity will be key challenges for Lindex in 2011. Revenue will nevertheless increase, due to the considerable expansion of the company. Operating profit is expected to improve on the present good level.

Distribution of Lindex's revenue by market 2010




Distribution of Lindex's revenue by merchandise sector 2010



# Seppälä



- *The Seppälä flagship store was opened in the Nevsky Centre shopping centre in St Petersburg on 11 November 2010.*
- *Year 2010 marked Seppälä's 80th year in business. A book about Seppälä's journey into an international fashion creator was published in celebration of the anniversary.*

## Key figures

| Seppälä, EUR mill. | 2010 | 2009 | change % |
|---|---|---|---|
| Revenue | 143.2 | 139.5 | 3 |
| Proportion of Group revenue, % | 7.8 | 8.2 | |
| Operating profit* | 9.0 | 8.0 | 13 |
| Return on capital employed, %* | 9.1 | 7.4 | |
| Capital employed | 98.6 | 107.8 | -9 |
| Investments | 4.7 | 4.5 | |
| Staff, December 31 | 1 513 | 1 506 | 0 |
| Number of stores | 225 | 213 | 6 |

** including other operating income*

# Continued growth and improved profitability

For the past 80 years Seppälä has been offering international fashion to its customers in Finland, where it is now the country's most extensive fashion chain. In addition, Seppälä has stores in Russia, the Baltic countries and Ukraine, which together account for almost 40 per cent of the chain's 225 stores.

Seppälä offers an extensive product selection of fashion clothing and accessories for women, men and children. The selection at some stores also includes footwear, bags and cosmetics. Seppälä's mission is to encourage and inspire people to enjoy fashion in a way that fits their own style. Fashionable products and a positive price image guarantee Seppälä a large target group.

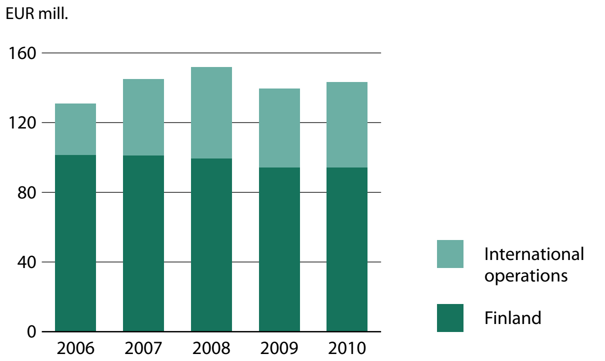
The Seppälä chain continued its strong growth in 2010, opening a total of 12 new stores, six of which were in Russia, two in Estonia and four in Finland. The chain's flagship store was opened in November at the Stockmann-owned Nevsky Centre shopping centre in the heart of St Petersburg. Seppälä has a total of 43 stores in Russia, 42 in the Baltic countries, two in Ukraine and 138 in Finland.

Seppälä's profitability improved and its operating profit grew at a higher rate than sales in 2010. Revenue amounted to EUR 143.2 million. Revenue generated in Finland remained at the previous year's level due to stiff competition. Revenue abroad increased by 8.1 per cent, accounting for 34.1 per cent of total revenue. The highest revenue growth was in Russia, and sales in the Baltic countries also grew in late 2010 for the first time since the strong economic downturn of 2009. Operating profit grew by 12.5 per cent and amounted to EUR 9.0 million.

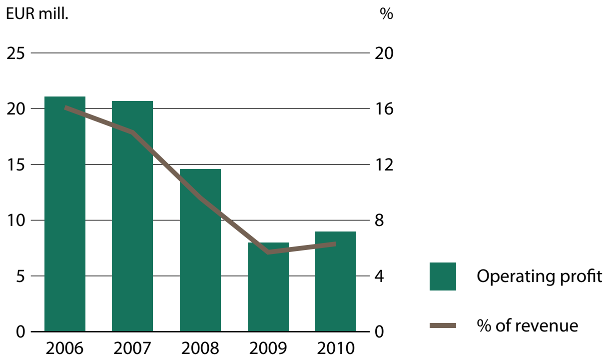
Profitability improved mainly because the relative gross margin grew by 1.6 percentage points, to 59.8 per cent, which was Seppälä's biggest ever relative gross margin. This growth is an indicator of efficient purchasing operations, good management of stocks and a thriving product offering and successful collections during the spring 2010, in particular. More products than before were sold at normal prices during their season in 2010, and fewer products ended up being sold at a discount.

Seppälä achieved its greatest earnings improvement in Russia, where the market conditions improved and consumer demand recovered in response to a more stable rouble. The measures to boost efficiency, which Seppälä swiftly initiated back in autumn

Development of Seppälä's revenue 2006–2010




Development of Seppälä's operating profit 2006–2010



€ *Seppälä employs 20 designers whose know-how makes the retail chain a success. Päivi Nykänen creates the Seppälä Woman collection for women who enjoy fashion in a way that fits their own style.*

/ *Fabulous fashion shows were a part of the 80th anniversary year of Seppälä. The fashion house creates international collections and continuously reinvents itself.*

2008 at the onset of the downturn, also played their part in improving earnings. Expenses and depreciation grew at a lower rate than the gross margin, even though Seppälä invested heavily in developing its store chain.

## Seppälä – a unique fashion house

Seppälä's overwhelming strengths in Finland have been its store network, which is the most extensive in the country, and its design expertise, evident in the continuous development of its collections. Celebrating its 80th anniversary in September 2010, Seppälä is a remarkable and unique Finnish fashion story. Its long success has been guaranteed by constant renewal, focused development of operations and a good understanding of the tastes of its fashion-conscious customers.

To celebrate the anniversary year, Seppälä published a book about its fashion history, by Pia Sievinen. It tells of the journey Seppälä has travelled over the decades, growing from a single clothing store to a fashion chain and finally to a fashion house that not only sells fashion but creates it. The cornerstones of Seppälä's development still remain its emphasis on creating its own designs and increasing the role of its own brands.

As from autumn 2010, Seppälä's products have been sold under their own brands, which vary by customer group. The Seppälä Woman, Seppälä Men, Seppälä Kids, Seppälä Basics and By Seppälä collections offer well-designed international fashion at the best prices. Since spring 2009, Seppälä has also released special seasonal collections that are sold under the Limited Collection By Seppälä brand. In spring 2010, the company introduced a special jewellery collection, and the Christmas collection was expanded to include household textiles.

More than 67 per cent of Seppälä's sales in 2010 came from women's wear and accessories, the sales of which also enjoyed the greatest growth. The largest growth among individual product groups was in footwear, in which Seppälä's market share in Finland rose significantly during the year.

Living up to its role as a fashion house, Seppälä also constantly develops its stores, product displays and customer service, so that customers can enjoy an inspiring shopping environment at Seppälä. To support this, Seppälä's store concept was redesigned, and will be updated annually in the future. During 2010, 15 stores were renovated in line with the latest store concept. Stores are also increasingly being profiled to suit certain target groups. Among the new stores designed for specific target groups are the women's store in Kamppi in Helsinki, Finland, and the youth store in Tallinn, Estonia.

## Design provides inspiration

Seppälä's own designers have been one of the chain's major strengths for years. With about 20 members, Seppälä's design team constantly follows international trends while remaining very familiar with the wishes and styles of Seppälä's customers. The high tempo of the fashion world shows at Seppälä in the fact that new fashion products arrive at stores on a daily basis, which means frequent customers will always find something new to buy in the collection.

In its marketing, Seppälä also successfully utilises its own design and the close relationship with its customers. Seppälä's 'Supermodel of My Own Life' concept, which was launched back in 2006 and gives ordinary women, men and children the chance to pose as models, remains one of the most identifiable and valued marketing concepts in Finland. The 'Seppälä Design Studio' campaign and T-shirt design competition launched for young people in autumn 2010 won the bronze medal at the prestigious Effie Awards.

In addition, more than 400 000 Finns have joined the Seppälä Club, which was established in 2008. Seppälä keeps in touch


- *Seppälä Club was launched in the Baltic countries in September 2010. The 100 000 member goal was reached during the same year.*
- *The determined expansion from clothes to accessories and footwear has paid off. In 2010, of all product categories the largest increase in sales was in shoes. Seppälä's market share of footwear in Finland also increased significantly.*

with its club members through its website and by actively sending newsletters and text messages. In autumn 2010, Seppälä Club was also launched in all the Baltic countries, where it attracted almost 100 000 members within a few months.

## Growth will continue in 2011

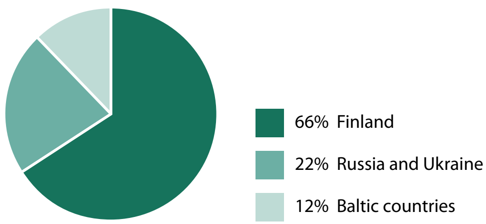
Seppälä has opened 67 new stores over the past five years. The chain's growth will continue in the future, with Russia offering the greatest growth potential among the different market areas. Seppälä now operates in 15 Russian cities, and all of these can accommodate the opening of further new stores. There is also potential for expansion to several new cities across the country. During 2011, 8–12 new stores will be opened, a few of which will be in Finland and the majority in Russia.

Seppälä is also constantly remodelling its existing stores in order to guarantee and strengthen its image as a fashion house. The goal is to remodel all of the chain's stores within the next three years.

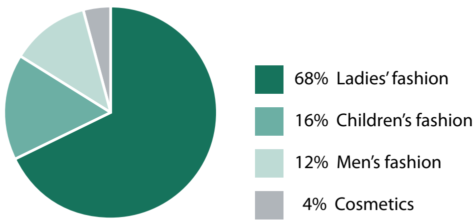
Seppälä's financial development in 2011 will face challenges from the rise in raw material prices and the limited production capacity in the Far East. This trend is expected to lead to a rise in consumer prices. Seppälä will respond to these challenges by maintaining good partnerships with long-term key suppliers and simultaneously seeking new sourcing countries and partners.

Seppälä believes that it can strengthen its position in all of its markets by focusing on its own design and the development of Seppälä collections, remodelling its store image and maintaining good customer communications. Seppälä's revenue and operating profit are expected to grow again in 2011.

Distribution of Seppälä's revenue by market 2010




Distribution of Seppälä's revenue by merchandise sector 2010



# Corporate Governance Statement of the Stockmann Group

Stockmann complies in its decision-making and corporate governance with the Finnish Companies Act and Securities Markets Act. 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 (managing director).

The Finnish Corporate Governance Code, aimed at Finnish listed companies on the Helsinki exchange (NASDAQ OMX Helsinki Ltd), was issued by the Board of the Securities Market Association in June 2010. The Code came into force on 1 October 2010 and replaced the earlier code issued in October 2008. The Code can be accessed on the website of the Securities Market Association, at www.cgfinland.fi. Stockmann adheres to the Code in full.

## General Meeting of Shareholders

The highest decision-making body of Stockmann plc is the general meeting of shareholders. The Annual General Meeting shall be held each year before the end of June. Stockmann has two series of shares, of which each Series A share confers ten votes at a general meeting and each Series B share one vote.

The 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

Under Stockmann's Articles of Association, the company's Board must have at least five and no more than nine members. The term of Board members begins from the Annual General Meeting in which they are elected and ends at the conclusion of the subsequent Annual General Meeting.

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

### Composition of the Board

At present, the Board of Directors has eight members, none of whom are full-time members. The members of the Board of Directors are:

- **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. Independent of the company.
- **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. Independent of the company and major shareholders.
- **Kaj-Gustaf Bergh** (b. 1955). LL.M., B.Sc. (Econ), managing director, Föreningen Konstsamfundet r.f. Member of the Board since 2007. Independent of the company.
- **Eva Liljeblom** (b. 1958). D.Sc. (Econ.), rector, professor, Hanken School of Economics. Member of the Board since 2000. Independent of the company and major shareholders.
- **Kari Niemistö** (b. 1962). M.Sc. (Econ.), managing director, Selective Investor Oy Ab. Member of the Board since 1998. Independent of the company and major shareholders.
- **Charlotta Tallqvist-Cederberg** (b. 1962). M.Sc.(Econ.), managing director, CTC Consulting Oy Ab. Member of the Board since 2010. Member of the Board's Appointments and Compensation Committee. Independent of the company and major shareholders.
- **Carola Teir-Lehtinen** b. 1952). M.Sc., professional Board member. Member of the Board since 2004. Independent of the company and major shareholders.
- **Henry Wiklund** (b. 1948). M.Sc. (Econ.), managing director, Svenska litteratursällskapet i Finland r.f. 1986–2008. Member of the Board since 1993. Member of the Board's Appointments and Compensation Committee. Independent of the company.

More information on the members of the Board of Directors is provided on Stockmann's website at www.stockmanngroup.fi.

Representatives of the company's management participating regularly in meetings of the Board of Directors are the chief executive officer, the executive vice presidents and the director of legal affairs, none of whom is a member of the Board of Directors. The director of legal affairs acts as secretary to the Board of Directors. Two employee representatives who are not members of the Board of Directors also participate in meetings 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.

### Duties of the Board

Under the Limited Liability Companies Act, the board of directors attends to the company's administration and ensures the appropriate organisation of its operations. The Board must also ensure that supervision of the company's accounting and financial management is appropriately arranged.

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

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

The Board conducts an annual internal self-evaluation of its working practices under recommendation 7 of the Finnish Corporate Governance Code.

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

Board of Directors' rules of procedure are available at www.stockmanngroup.fi.

The Board of Directors convened 9 times in 2010. The average rate of attendance was 96 per cent.

## Board Committees

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

The duties of the Appointments and Compensation Committee are the preparation of appointment and compensation matters concerning the chief executive officer, the executive vice presidents and the other members of the Management Committee, preparations concerning the election of members of the Board of Directors for proposal to the general meeting of shareholders, and the preparation of compensation matters concerning the Board of Directors. The Committee meets as necessary, but at least once a year. The Committee's rules of procedure are available at www.stockmanngroup.fi

The Appointments and Compensation Committee comprises four members of the Board of Directors, who are independent of the company. At its meeting held on 16 March 2010, the Board of Directors re-elected Christoffer Taxell as the Committee's Chairman, and elected managing director Erkki Etola, managing director Charlotta Tallqvist-Cederberg and Henry Wiklund as its other members. The chief executive officer has the right to attend meetings of the Committee. The Committee met six times during the financial year 2010. The rate of attendance was 100 per cent.

## Chief Executive Officer

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

Mr. Hannu Penttilä, born 1953, has been the company's CEO since 1 March 2001. He has been in Stockmann's service since 1978. More information about the CEO is available on the Group's website at www.stockmanngroup.fi.

## Other Executives

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.

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. More information about the management committee members is available on the Group's website at www.stockmanngroup.fi.

## Audit

The auditors elected by the Annual General Meeting examine the company's accounting records, financial statements and administration. The company has a minimum of one and a maximum of three auditors, who have a minimum of one and a maximum of three deputies.

The Annual General Meeting of 2010 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.

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

Stockmann's risk management principles are approved by Stockmann's Board of Directors. The risk management process includes assessment of the risks pertaining to financial reporting and the related management measures are determined as a part of the risk management process. Stockmann's internal control is linked to the risk management process in that some of the aspects which are subject to control are selected on the basis of risk assessments.

The Group's chief financial officer and the Finance and Control Department are responsible for ensuring that the Group's financial reporting is undertaken. Group-level directions are complied with in Stockmann's financial reporting. The reporting is based on information from commercial and administrative processes and data produced by the financial management systems. The Group's Finance and Control Department determines the control measures applied to the financial reporting process. These control measures include various process descriptions, reconciliations and analyses used for ensuring the validity of the information used in the reporting and of the reporting itself.

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

All of the divisions and the Group's Finance and Control Department are responsible for the effectiveness of control within their own sphere of responsibility. The Group's Finance and Control Department is responsible for assessments of the reporting processes. In addition, Internal Audit conducts audits of the business and financial reporting processes. The company's Board of Directors is responsible for the implementation of internal control in regard to financial reporting.

Approved by the Board of Directors of Stockmann plc
on 9 February 2011

# Report by the Board of Directors

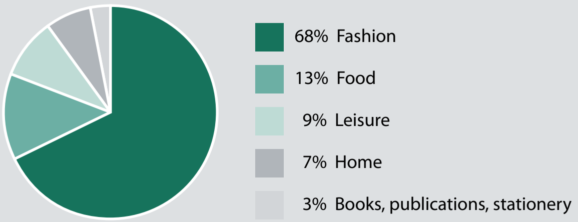
Consolidated revenue grew in financial year 2010 by 7.3 per cent to EUR 1 821.9 million (2009: EUR 1 698.5 million). Operating profit was up by EUR 3.7 million, to EUR 88.8 million (EUR 85.1 million). Net financial expenses were EUR 14.6 million (EUR 24.0 million). Profit for the financial year was EUR 78.3 million (EUR 53.8 million), and earnings per share came to EUR 1.10 (EUR 0.82). The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.82 per share be paid.

## Revenue and earnings

The recovery in consumer demand, a strengthening of consumer confidence and the measures taken by all divisions to strengthen their competitive position were evident in the Stockmann Group's revenue (excl. VAT) for the financial year, which was up by 7.3 per cent to EUR 1 821.9 million (2009: EUR 1 698.5 million). Revenue in Finland was up by 4.2 per cent to EUR 987.8 million. Revenue abroad amounted to EUR 834.0 million, an increase of 11.1 per cent. The Swedish krona, the Norwegian krone and the Russian rouble all strengthened against the euro during the financial year. If like-for-like exchange rates are used, the Group's revenue abroad had grown 2.3 per cent. Revenue abroad accounted for 45.8 per cent (44.2 per cent) of the Group's total revenue.

There was no other operating income during the financial year.

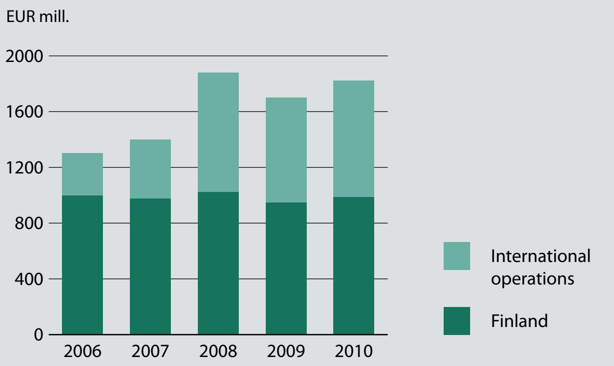
Revenue by merchandise sector 2010



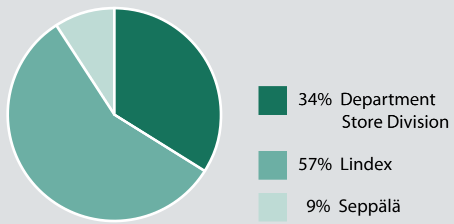

Revenue

| | 2010 EUR mill. | 2009 EUR mill. | change EUR mill. | change % |
|---|---|---|---|---|
| Department Store Division, Finland | **826.4** | 785.8 | 40.5 | 5.2 |
| Department Store Division, international operations | **273.5** | 244.2 | 29.3 | 12.0 |
| **Department Store Division, total** | **1 099.9** | 1 030.0 | 79.8 | 6.8 |
| | | | | |
| Lindex, Finland | **66.8** | 65.8 | 1.1 | 1.7 |
| Lindex, international operations | **511.9** | 461.3 | 50.6 | 11.0 |
| **Lindex, total** | **578.7** | 527.0 | 51.7 | 9.8 |
| | | | | |
| Seppälä, Finland | **94.4** | 94.3 | 0.0 | 0.0 |
| Seppälä, international operations | **48.8** | 45.2 | 3.7 | 8.1 |
| **Seppälä, total** | **143.2** | 139.5 | 3.7 | 2.6 |
| | | | | |
| Unallocated | **0.0** | 1.9 | -1.9 | |
| | | | | |
| Operations in Finland, total | **987.8** | 948.0 | 39.8 | 4.2 |
| International operations, total | **834.1** | 750.5 | 83.7 | 11.1 |
| **Group, total** | **1 821.9** | 1 688.5 | 123.3 | 7.3 |

Revenue 2006–2010




Operating profit 2010




Operating profit 2006–2010


The Group's operating gross margin for the financial year increased by EUR 91.4 million, to EUR 908.8 million. The relative gross margin was 49.9 per cent (48.1 per cent). In all divisions the relative gross margin was up year on year. Operating costs increased by EUR 84.1 million and depreciation by EUR 3.4 million.

The Group's operating profit for the financial year grew by EUR 3.7 million, to EUR 88.8 million (EUR 85.1 million).

Net financial expenses fell by EUR 9.4 million, to EUR 14.6 million (EUR 24.0 million) for the financial year. The decrease was attributable to the low level of interest rates and the non-recurring foreign exchange gains.

Profit before taxes for the financial year amounted to EUR 74.2 million, which was EUR 13.1 million more than a year earlier. Profit for the period was burdened by a tax accrual of EUR 12.1 million. Taxes for the financial year also included a deferred tax liability of EUR 16.3 million booked for the unrealized exchange rate loss on the currency loan, which improved earnings. In total these tax items exceptionally improved the profit by EUR 4.2 million. The taxes burdening the previous year's result totalled EUR 7.3 million. Profit for the year was EUR 78.3 million (EUR 53.8 million).

Earnings per share for the financial year came to EUR 1.10 (EUR 0.82), and, diluted for options, EUR 1.09 (EUR 0.82). Equity per share was EUR 12.45 (EUR 11.94).

## Revenue and earnings performance by operating segment

### Department Store Division

Hobby Hall's business was transferred to the Department Store Division as of the start of 2010, and Oy Hobby Hall Ab was merged with the parent company on 30 June 2010. The Department Store Division's 2010 figures include Hobby Hall, and so the previous year's figures used for comparison have been adjusted accordingly.

The Department Store Division's revenue was up by 7.7 per cent without the international operations of Hobby Hall, which were discontinued in 2009. Revenue was EUR 1 099.9 million (EUR 1 030.0 million). Revenue in Finland was up by 5.2 per cent to EUR 826.4 million (EUR 785.8 million). The revenue growth was boosted especially by the completion of the enlargement and renovation project at the Helsinki city centre department store in stages during the year.

Operating profit and return on capital employed

| | **2010 EUR mill.** | 2009 EUR mill. | change EUR mill. | **2010 ROCE %** | 2009 ROCE % |
|---|---|---|---|---|---|
| Department Store Division | **32.9** | 22.8 | 10.1 | **4.6** | 3.8 |
| Lindex | **54.8** | 62.1 | -7.3 | **6.3** | 8.1 |
| Seppälä | **9.0** | 8.0 | 1.0 | **9.1** | 7.4 |
| Unallocated | **-7.9** | -7.9 | -0.1 | | |
| **Total** | **88.8** | 85.1 | 3.7 | **5.8** | 5.8 |

If the international operations of Hobby Hall, which were discontinued in 2009, are excluded from the like-for-like figures for 2009, the euro-denominated revenue of international operations shows an increase of 16.0 per cent. Revenue abroad accounted for 24.9 per cent (23.1 per cent) of the Division's total revenue. The Department Store Division's revenue in the Baltic countries was EUR 81.9 million (EUR 84.5 million), and in Russia EUR 191.7 million (EUR 151.3 million). Revenue in Russia was up significantly as sales began well in the new department stores in St Petersburg and Moscow. The strengthening of the rouble against the euro also affected positively the revenue growth.

As a consequence of good sales and stock situation, the relative gross margin for the financial year increased to an all-time high, at 42.4 per cent (39.8 per cent). The Department Store Division's operating profit was up by EUR 10.1 million, to EUR 32.9 million. Burdening the operating profit for the financial year are the costs associated with the opening of the enlarged premises at the Helsinki department store, the Nevsky Centre in St Petersburg and the Stockmann online store.

## Lindex

Lindex's full-year revenue totalled EUR 578.7 million, which was 9.8 per cent more than a year earlier (EUR 527.0 million). Revenue in Finland was up by 1.7 per cent and in other countries by 11.0 per cent. The revenue growth was due in part to the opening of new stores, especially in Central Europe and Russia. The strengthening of the Swedish krona and Norwegian krone against the euro also boosted revenue.

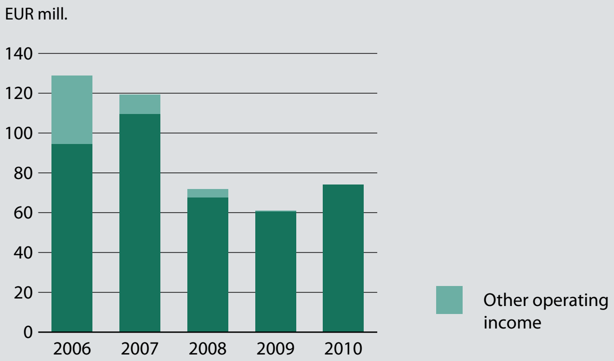
The relative gross margin for the financial year remained high, at 63.1 per cent (62.9 per cent), but the accelerated expansion meant that fixed costs and depreciation grew faster than the increase in the gross margin. Operating profit decreased, especially as a result of the performance in the Nordic countries in the latter part of the year. Lindex's operating profit for the financial year decreased by EUR 7.3 million and amounted to EUR 54.8 million (EUR 62.1 million).

## Seppälä

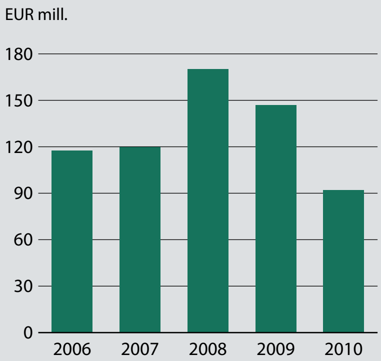
Seppälä's revenue increased by 2.6 per cent year on year, to a total of EUR 143.2 million (EUR 139.5 million). Revenue in Finland was at the previous year's level and up 8.1 per cent abroad. Revenue abroad accounted for 34.1 per cent (32.4 per cent) of Seppälä's total revenue. Revenue in Russia was up by 13.5 per cent.

The relative gross margin for the financial year was up, at 59.8 per cent (58.2 per cent), which is an all-time high. The growth was due especially to the good sales and stock situation in the first part of the year, and the efficient purchasing operation. Seppälä's operating profit grew by EUR 1.0 million, to EUR 9.0 million (EUR 8.0 million). Earnings performance improved in Russia whereas development in Finland was lower.

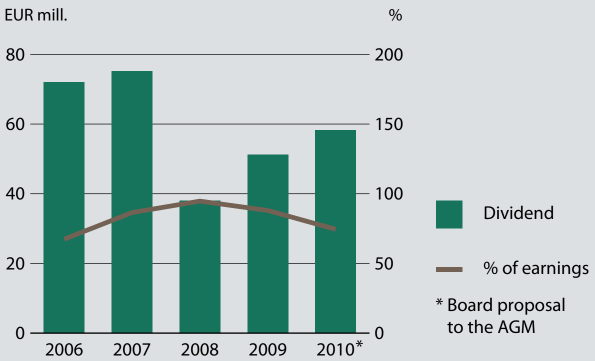
Profit before taxes 2006–2010




Cash flows from operating activities 2006–2010

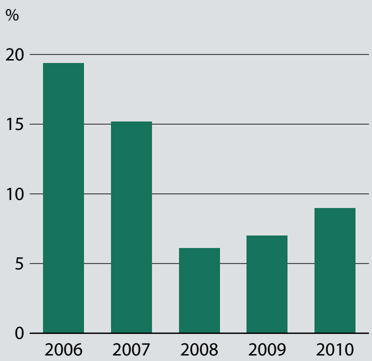



Dividend for the financial years 2006–2010

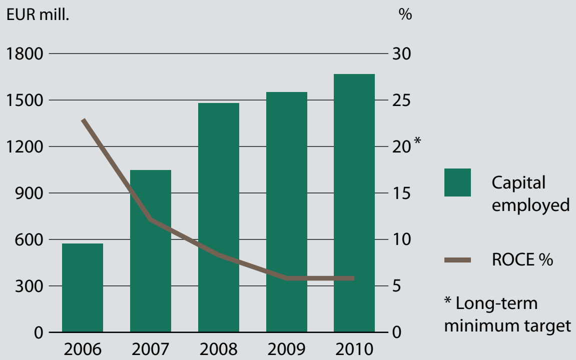


Investments, depreciation and divestments 2006–2010*


Return on equity 2006–2010




Capital employed and ROCE 2006–2010




## Financing and capital employed

Cash and cash equivalents totalled EUR 36.7 million at the close of the year, as against EUR 176.4 million a year earlier. Cash flow from operating activities came to EUR 91.8 million (EUR 146.8 million).

Most of the long-term debt was refinanced during the financial year. At the end of the year, interest-bearing liabilities stood at EUR 813.3 million (EUR 789.2 million), of which EUR 521.3 million (EUR 786.9 million) was long-term debt. In addition, the Group has EUR 343.1 million in unused committed long-term credit facilities. A significant proportion of the debt is tied to the Swedish krona, and the strengthening of the krona during the financial year increased the amount of loan capital presented in euros.

Net working capital amounted to EUR 79.5 million at the close of the year, as against EUR 109.3 million a year earlier. Non-interest-bearing liabilities grew by EUR 74.8 million compared with the previous year. The stock level was higher than the previous year, primarily as a result of the newly opened department stores and the expanded store network, and the strength of the Swedish krona and Russian rouble.

The equity ratio at the close of the year was 43.1 per cent (44.1 per cent), and net gearing was 87.7 per cent (72.2 per cent).

The return on capital employed remained at the previous year's level and was 5.8 per cent. The Group's capital employed increased by EUR 59.6 million and stood at EUR 1 699.1 million (EUR 1 639.5 million) at the end of the financial year.

## Dividends

In accordance with the resolution of the Annual General Meeting, a dividend of EUR 0.72 per share was paid on the 2009 financial year, which came to a total of EUR 51.2 million.

At the end of the financial year, on 31 December 2010, the distributable funds on the parent company's balance sheet amounted to EUR 446.8 million, of which EUR 21.5 million was net profit for the financial year. The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.82 per share be paid on the 2010 financial year. The proposed dividend is 74.5 per cent of earnings per share. Under this proposal, a total of EUR 58 339 720.00 would be paid in dividends. EUR 388 422 871.51 will remain in unrestricted equity.

## Capital expenditure

Capital expenditure during the financial year totalled EUR 165.4 million (EUR 152.8 million).

### Department Store Division

Moscow's fifth Stockmann department store was opened on 4 March 2010 in the Golden Babylon shopping centre in the Rostokino district in north Moscow. Stockmann's capital expenditure on the department store, which has a total retail space of about 10 000 square metres, amounted to EUR 16.0 million. During the financial year, the project required an investment of EUR 8.0

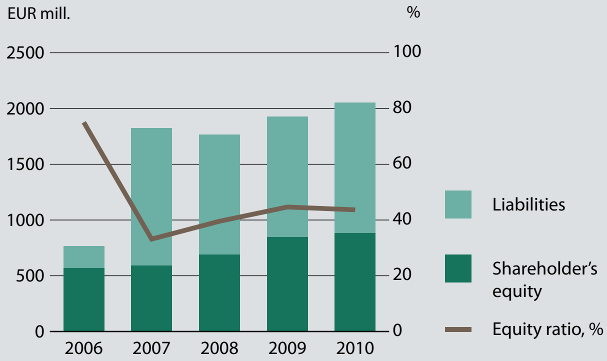
million. The start of the department store's operation has met expectations.

The major enlargement and renovation project at the Helsinki city centre department store, in which construction work began in 2006, was completed in November as planned. The project involved expanding the department store's commercial premises by about 10 000 square metres by converting existing premises to commercial use and by building new space. Other elements of the project included construction of new goods handling and servicing facilities and a car park. The new premises were opened in stages. Following the enlargement, the Helsinki department store is one of the largest in Europe, with a total retail space of about 50 000 square metres. During the financial year, the project required an investment on EUR 38.5 million. The total capital expenditure on the enlargement part of the project was EUR 198 million, in addition to which significant repair and renovation work was carried out in the existing premises. The enlarged and remodelled department store is now more competitive and will remain so long into the future.

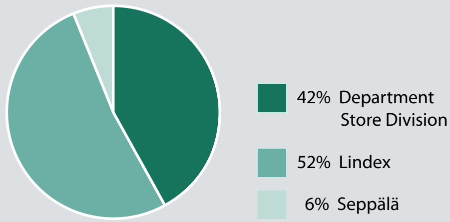
In 2006, Stockmann purchased a commercial plot of approximately 10 000 square metres on Nevsky Prospect, St Petersburg's high street. Stockmann had the Nevsky Centre shopping centre built on this site, which is next to the Vosstaniya Square metro station and very near the Moscow railway station. The Nevsky Centre comprises a total of about 100 000 square metres and its opening ceremony was held on 11 November 2010. The Nevsky Centre contains a total of about 50 000 square metres of stores and offices. Its Stockmann department store, comprising about 20 000 square metres, is the Group's second largest department store and the flagship of Stockmann's Russian operations. The shopping centre also includes stores of the Stockmann Group's fashion chains Lindex and Seppälä, as well as Bestseller, more than 70 other stores and restaurants and services. The Nevsky Centre also contains office premises and an underground car park for about 560 cars. During the financial year, the project required an investment of EUR 61.0 million. The total capital expenditure is approximately EUR 185 million. The final report on the project's finances is unfinished. The operation of the entire shopping centre and of its Stockmann department store and the Group's fashion stores have begun successfully.

The Stockmann department stores in Finland switched to multichannel operation with the opening of the stockmann.com online store in September 2010. In its early stages, the new online store's selection includes the following department store product categories: women's, men's and children's fashion, sport, home furnishing and electronics. When creating the new online store, good use was made of the distance retailing expertise of Hobby Hall, part of the Department Store Division since the start of 2010, and of the investment made in this operation. The Department Store Division's organisation now includes three distinct distance retailing brands: Hobby Hall, Stockmann and the Academic Bookstore.

Equity ratio 2006–2010




Capital employed 2010



In Russia, two Bestseller stores were opened and one was closed during the financial year. One Stockmann Beauty store in Finland was closed.

In July, Stockmann purchased a property next to its Tallinn department store for EUR 1.6 million, which will enable the department store to expand in the future.

The Department Store Division's capital expenditure during the financial year totalled EUR 131.1 million.

### Lindex

Thirty-six new Lindex stores were opened during the financial year. Lindex opened eight of its own stores in the Czech Republic, six in Norway, five in Russia, four in Sweden, two in each of Slovakia and Finland, and one in each of Estonia and Lithuania. The company's franchising partner opened four Lindex stores in Saudi Arabia and one in Dubai, United Arab Emirates, a new market for Lindex. A new franchising partner opened its first two stores in Bosnia and Herzegovina, also a new market for Lindex and the entire Stockmann Group.

Lindex opened its Lindex Online Shop in Finland in May. In January 2011, after the close of the financial year, Lindex opened its online store throughout the EU. Lindex's fashion wear can now be purchased over the internet in 27 European countries.

During the financial year Lindex closed two stores in Finland and one in Norway.

Lindex's capital expenditure totalled EUR 28.2 million during the financial year.

### Seppälä

Seppälä opened 12 stores during the financial year: six in Russia, four in Finland and two in Estonia.

Seppälä's capital expenditure totalled EUR 4.7 million.

### Other capital expenditure and changes in the Group's structure

The Group's other capital expenditure came to a total of EUR 1.4 million.

The corporate structure of the operations in Russia was streamlined by merging ZAO Kalinka-Stockmann with its parent company, ZAO Stockmann, in October 2010.

## New projects

### Department Store Division

Stockmann will open a new department store in Ekaterinburg, Russia at the end of March 2011. The department store will operate in leased premises in the Greenwich shopping centre and will have retail space of approximately 8 000 square metres. Stockmann's capital expenditure on the project is about EUR 14 million.

Stockmann has signed a contract for the enlargement of its Tampere department store, which operates in leased premises. The enlargement will increase the department store's retail space to 15 000 square metres, up by about 4 000 square metres from the present 11 000 square metres. Access will also be constructed from the department store to a car park to be built under Hämeenkatu street. Stockmann's share of the total investment is approximately EUR 6 million. Owing to delays in the city detail plan process, the opening of the enlargened department store has been rescheduled to 2013.

Towards the end of 2010, the Department Store Division's Russian warehousing functions moved to new, modern, leased premises in the north-west part of Moscow. The total floorspace of the new warehouse is more than 10 000 square metres. The new warehouse is to be in full operation in spring 2011. Capital expenditure on the new warehouse is approximately EUR 4 million.

In December 2010, a decision was taken by the Department Store Division to acquire a new enterprise resource planning (ERP) system. The aim is that this major system project, which will take several years to complete, will be started during spring 2011.

### Lindex

Lindex is expecting to add about 40 new stores to its store chain in 2011, including franchising stores. Most of the new stores will be in Russia and Central Europe.

In March, Lindex will open its first store in Poland, in the city of Walbrzych.

### Seppälä

Seppälä will also be further expanding its store network in 2011, opening 8 - 12 new stores during the year. Most of these will be in Russia.

## Other capital expenditure

The Group's finance systems will be replaced gradually in connection with the renewal of the Department Store Division's ERP system.

## Shares and share capital

The company's market capitalization at the end of 2010 was EUR 2 047.1 million. At the end of 2009 the market capitalization stood at EUR 1 396.7 million.

Stockmann's share prices during 2010 outperformed both the OMX Helsinki Cap index and the OMX Helsinki index. At the close of 2010, the price of the Series A shares was EUR 29.40, compared with EUR 20.50 at the end of 2009, and the Series B shares were selling at EUR 28.30, as against EUR 19.00 at the end of 2009. One million (0.5 million) Series A shares and 14.6 million (17.3 million) Series B shares were traded during the financial year. This corresponds to 3.3 per cent of the average number of Series A shares and 36.02 per cent of the average number of Series B shares.

A total of 52 047 Stockmann Series B shares with a nominal value of EUR 2 were subscribed with Stockmann Loyal Customer share options in May 2010. The shares were registered in the

Trade Register and became subject to public trading alongside the old shares on NASDAQ OMX Helsinki Ltd on 30 June 2010. As a consequence of the subscriptions the share capital was increased by EUR 104 094.

On 31 December 2010, Stockmann had 30 627 563 Series A shares and 40 518 437 Series B shares, or a total of 71 146 000 shares. Series A shares each confer 10 votes, while Series B shares each confer one vote. The shares carry an equal right to dividends.

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

At the end of 2010, Stockmann had 44 596 shareholders, compared with 43 929 a year earlier. During the financial year the company was informed of one change among major shareholders, when the proportion of Stockmann's total votes held by HTT Holding Oy Ab, a company controlled by Hartwall Capital Ltd, exceeded the 10 per cent limit as a result of a share trade made on 19 January 2010.

## Personnel

The Group's personnel totalled an average of 15 165 in 2010, which was 509 more than the previous year (14 656 employees in 2009 and 15 669 in 2008). The increase in personnel was attributable in particular to the opening of two new department stores in Russia. The Group's personnel also increased as a result of the expansion of Lindex's store network and the enlargement of the Helsinki department store.

Converted to full-time equivalents, Stockmann's average number of employees grew by 370, to 11 503 employees (11 133 in 2009 and 11 964 in 2008). The Group's total payroll grew by EUR 26.4 million from the previous year, reaching EUR 287.6 million for 2010 (EUR 261.2 million in 2009 and EUR 279.8 million in 2008).

The extended Sunday opening hours in the retail trade in Finland as of 1 January 2010 meant an increase in total hours of work performed and in the pay accrued.

At the end of 2010, the Group had 16 184 employees (14 836). of which 8 754 employees were working abroad. The number of employees working abroad at the end of the previous year was 7 683 employees. The proportion of employees working abroad was 54 per cent (52 per cent) of the total.

At the end of year, 9 806 employees were employed in the Department Store Division (8 729 at the end of 2009), 4 709 in Lindex (4 464), 1 513 in Seppälä (1 506) and 156 in Corporate Administration (137).

## Risk factors

Besides Finland, Sweden, Norway, Russia and the Baltic countries, the Stockmann Group also has business operations in the Czech Republic, Slovakia and Ukraine, in each of which operations are at their start-up phase. The recovering economy is influencing consumers' purchasing behaviour and having an impact on purchasing power in all of the Group's market areas. The level of risk in the business environment varies within the Group's operating sphere. 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 risk factors associated with the recovery from the economic downturn, the risks do not differ significantly from business risks in Finland. In the Baltic countries, retailing has been recovering from the downturn more slowly than in the Nordic countries.

Business risks in Russia are greater than in the Nordic countries or the Baltic countries, and the operating environment is less stable owing to factors such as the undeveloped state of business culture and the country's infrastructure. The role of the grey economy, particularly in the importation of consumer goods, is still

Average number of employees converted to full-time staff

| | 2006 | 2007 | 2008 | 2009 | **2010** |
|---|---|---|---|---|---|
| Department Store Division | 6 933 | 7 493 | 7 658 | 6 850 | **7 070** |
| Lindex* | | 282 | 2 983 | 2 981 | **3 137** |
| Seppälä | 890 | 1 100 | 1 207 | 1 179 | **1 142** |
| Management and administration | 100 | 105 | 116 | 123 | **154** |
| **Continuing operations, total** | 7 923 | 8 980 | 11 964 | 11 133 | **11 503** |
| Discontinued operations | 114 | | | | |
| **Total** | 8 037 | 8 980 | 11 964 | 11 133 | **11 503** |

** Lindex from December 6, 2007*

considerable and plays a part in distorting competition. Russia's possible membership of the World Trade Organisation (WTO) would probably bring greater clarity to the competition environment, for instance via reductions in excise duties. The Russian economy began to grow strongly in the early part of 2010 as energy prices rose, and there was a strengthening of the country's currency. The trend in energy prices will have a significant impact on the development of the Russian economy in the next few years as well.

China's growing role in the global economy and its rapidly developing domestic market have heated up the Far East procurement markets. For retailing, a key challenge is the shortage of production capacity and the rising raw material prices, which are leading to upward pressure on prices.

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

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

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

## Outlook for 2011

The world economy has started to pick up, and consumer confidence is expected to remain strong in Stockmann's main market areas. Growth in the Russian market is expected to be higher than in the Nordic countries and elsewhere in Europe. In the Baltic countries, too, a positive turnaround has occurred in the market, but the pace at which this continues is hard to assess.

Due to the volatility of the financial markets, changes in exchange rates may nevertheless continue to be strong, and the situation on the financial markets will also have an important effect on the general economic trend in the euro zone.

Stockmann Department Store Division's capital expenditure projects completed in autumn 2010 will exert their full impact on revenue in 2011. Operations in Russia will be further expanded with the opening of a Stockmann department store in Ekaterinburg at the end of March 2011. Several department stores in Russia as well as the Stockmann online store are, however, still in their starting phase. Lindex and Seppälä opened in total 48 stores in 2010. The same pace in opening new stores is estimated to continue in 2011.

The situation on the Far East procurement markets and the shortage of production capacity will create upward pressure on consumer prices. Ensuring product availability will be a key challenge for the company during 2011.

The Stockmann Group estimates to achieve continued revenue growth in 2011. The operating profit for the financial year is expected to be above the previous year's figure. The Group's total capital expenditure in 2011 will be clearly less than in recent years, at approx. EUR 85 million.

The first-quarter operating result will be negative due to normal seasonal variation in the market.

## Corporate governance

Stockmann plc's Corporate Governance Statement is published on the company's website at www.stockmanngroup.fi and as part of the Annual Report on Pages 28 and 29.

Helsinki, Finland, 9 February 2011

STOCKMANN PLC
Board of Directors

# Shares and share capital

The share capital of Stockmann plc is divided into Series A and Series B shares. Series A shares carry ten votes and Series B shares one vote. The par value of both series of shares is EUR 2.00 and the shares of both series entitle their holders to an equal dividend. The 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 NASDAQ OMX Helsinki exchange. The number of registered shareholders at 31 December 2010 was 44 596 (43 929 shareholders at 31 December 2009) representing 99.9 per cent of the company's shares outstanding.

## Share price trend

Share prices rose on the Helsinki exchange during the financial year by 18.7 per cent as measured by the OMX Helsinki Index and by 24.8 per cent as measured by the OMX Helsinki Cap Index.

Price trend of Stockmann's shares and options

| | Closing prices Dec. 31, 2010 EUR | Closing prices Dec. 31, 2009 EUR | Change % |
|---|---|---|---|
| Series A | 29.40 | 20.50 | 43.4 |
| Series B | 28.30 | 19.00 | 48.9 |
| Option 2006B | 0.40 | | |
| Option 2006C | 3.16 | | |

Turnover of Stockmann's shares and options

| | Number of shares | % of total shares outstanding | EUR | Average price EUR |
|---|---|---|---|---|
| Series A | 1 021 927 | 3.3 | 26 518 259 | 26.97 |
| Series B | 14 582 256 | 36.0 | 368 745 078 | 25.41 |
| Option 2006B | 15 500 | | 6 205 | 0.40 |
| Option 2006C | 28 450 | | 73 185 | 2.57 |
| Total | 15 648 133 | | 395 342 727 | |

The Stockmann shares and share options that were traded accounted for 0.3 per cent of the share turnover on the Helsinki exchange. The company's market capitalization at 31 December 2010 was EUR 2 047.1 million. The market capitalization at 31 December 2009 was EUR 1 396.7 million.

Share capital of Stockmann plc, 31 December 2010

| | | | | |
|---|---|---|---|---|
| Series A | 30 627 563 | shares at EUR 2 each | 61 255 126 | EUR |
| Series B | 40 518 437 | shares at EUR 2 each | 81 036 874 | EUR |
| Total | 71 146 000 | | 142 292 000 | 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 were granted to Stockmann's Loyal Customers without consideration. The share options were granted to Loyal Customers whose purchases during 1 January 2006 – 31 December 2007, together with purchases made on parallel cards for the same account were at least EUR 6 000 in total amount. For purchases of at least EUR 6 000 a Loyal Customer received 20 share options without consideration. In addition, for each full 500 euros by which the purchases exceed EUR 6 000, the Loyal Customer received two additional share options. The Loyal Customer purchases made by 31 December 2007 entitled to subscribe for a total of 1 998 840 share options. In the spring 2008, a total of 1 373 846 Loyal Customer share options were subscribed.

Each share option entitled its holder to subscribe for one of Stockmann plc Series B shares. The subscription price was 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 was 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 price after the rights issue of 2009 and the dividend payout proposed by the Board of Directors for the 2009 financial year was EUR 27.93.

During the share subscription period in 2008, a total of 364 Stockmann plc Series B shares were subscribed. During the share subscription period in 2009 no shares were subscribed with the Loyal Customer share options. During the subscription period in 2010, a total of 52 047 Series B shares of Stockmann plc were subscribed. The last subscription period for shares with the share options was in May 2010. The unexercised share options under the Loyal Customer share option programme 2006 lapsed as worthless after the expiry of the subscription period.

## 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 2006B is 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 with share option 2006A has expired. 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. Of 2006B share options 187 500 and of 2006D share options 360 000 have lapsed.

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 rights issue of 2009 and the dividend payout proposed by the Board of Directors for the 2010 financial year on the basis of share option B is EUR 30.45 per share and of share option C EUR 27.18 per share.

## 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 two additional share options. The Loyal Customer purchases made by 31 December 2009 entitled to subscribe for a total of 1 803 322 share options. In 2010, a total of 1 248 819 Loyal Customer share options were subscribed.

Each share option entitles its holder to subscribe for one of Stockmann plc Series B shares. In accordance with the resolution of the Annual General Meeting on 17 March 2009, 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 2009, or EUR 11.28. 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 rights issue of 2009 and the dividend payout proposed by the Board of Directors for the 2010 financial year is EUR 8.79.

## Key employee share options 2010

The Annual General Meeting held on 16 March 2010 approved the Board of Directors' proposal on granting share options to key employees of the Stockmann Group. A total of 1 500 000 share options will be issued without payment to the key employees of Stockmann and its subsidiaries. Of the share options 500 000 shall be marked with the identifier 2010A, 500 000 with the identifier 2010B, and 500 000 with the identifier 2010C. The share subscription period for the share options 2010A shall be 1 March 2013 – 31 March 2015, for share options 2010B 1 March 2014 – 31 March 2016 and for share options 2010C 1 March 2015 – 31 March 2017.

Each share option entitles its owner to subscribe for one Stockmann plc Series B share. The share subscription price relating to the share options 2010A shall be the trade volume weighted average price of the company's Series B shares on the Helsinki exchange during the period 1 February – 28 February 2010 increased by a minimum of 10 per cent or EUR 26.41, the share options 2010B the trade volume weighted average price of the company's Series B shares on the Helsinki exchange during the period 1 February – 28 February 2011 increased by a minimum of 10 per cent, and the share options 2010C the trade volume weighted average price of the company's Series B shares on the Helsinki exchange during the period 1 February – 29 February 2012 increased by a minimum of 10 per cent. The subscription price of each share subscribed for based on the share options shall be decreased on the record date for each dividend payout by the amount of dividends decided after the commencement of the determination period for the subscription price and prior to the share subscription. The subscription price relating to the share options 2010A after the dividend payout proposed by the Board of Directors for the 2010 financial year is EUR 24.87.

## Own shares

At 31 December 2010, the company held no own shares.

## 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 2006

| | | Entered in the Trade Register | Subscription price EUR | Number of new shares | Additional share capital EUR million | New total share capital EUR million |
|---|---|---|---|---|---|---|
| 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 |
| 2007 | 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 | 2009 | 29.60 | 364 B | 0.0 | 123.4 |
| 2009 | Directed Issue | 2009 | 17.00 | 2 433 537 A | 4.9 | 128.3 |
| 2009 | Directed Issue | 2009 | 17.00 | 3 215 293 B | 6.4 | 134.7 |
| 2009 | Rights offering | 2009 | 12.00 | 1 611 977 A | 3.2 | 137.9 |
| 2009 | Rights offering | 2009 | 12.00 | 2 129 810 B | 4.3 | 142.2 |
| 2010 | With the 2006 Loyal Customer options | 2010 | 27.93 | 52 047 B | 0.1 | 142.3 |

## 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 % |
|---|---|---|---|---|---|---|---|---|
| 2011– | With 2008 Loyal Customer options | 2 May 11–31 May 11 | 11.28 [1] | | | | | |
| 2012 | | 2 May 12–31 May 12 | 11.28 [1] | 1 249 B | 2.5 | 144.8 | 1.7 | 0.4 |
| | | less dividends after 18 March 2008 | | | | | | |
| 2011– | With 2006B key employee options | 1 January 11–31 March 11 | 36.69 [2] | 187 B | | | | |
| 2012 | With 2006C key employee options | 1 January 11–31 March 12 | 31.02 [3] | 375 B | 1.1 | 145.9 | 0.8 | 0.2 |
| | | less dividends after 21 March 2006 | | | | | | |
| 2013– | With 2010A key employee options | 1 January 11–31 March 15 | 26.41 [4] | 484 B | 1.0 | 146.9 | 0.7 | 0.1 |
| 2015 | | less dividends after 16 March 2010 | | | | | | |

* If all options are exercised
[1] Subscription price after 2010 dividend payout proposed by the Board of Directors: EUR 8.79
[2] Subscription price after 2010 dividend payout proposed by the Board of Directors: EUR 30.45
[3] Subscription price after 2010 dividend payout proposed by the Board of Directors: EUR 27.18
[4] Subscription price after 2010 dividend payout proposed by the Board of Directors: EUR 24.87

## Ownership structure at 31 December 2010

| | no. | Shareholders % | Percentage of shares % | Percentage of votes % |
|---|---|---|---|---|
| Households | 42 868 | 96.1 | 19.9 | 16.4 |
| Private and public corporations | 961 | 2.2 | 23.4 | 24.7 |
| Financial and insurance companies | 45 | 0.1 | 3.4 | 0.8 |
| Foundations and associations | 531 | 1.2 | 47.2 | 56.3 |
| Nominee registrations (incl. foreign shareholders) | 191 | 0.4 | 6.0 | 1.8 |
| Unregistered shares | | | 0.1 | |
| Shares owned by the company | | | | |
| Total | 44 596 | 100.0 | 100.0 | 100.0 |

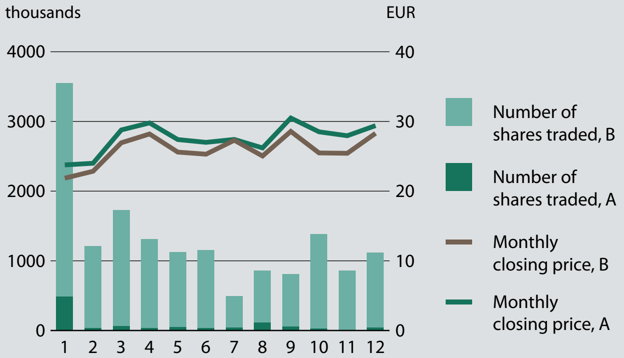
## Number of shares at 31 December 2010

| | no. | Shareholders % | Percentage of shares % | Percentage of votes % |
|---|---|---|---|---|
| 1–100 | 26 849 | 60.2 | 1.3 | 0.5 |
| 101–1000 | 14 480 | 32.5 | 6.9 | 4.9 |
| 1 001–10 000 | 3 006 | 6.7 | 10.2 | 6.4 |
| 10 001–100 000 | 215 | 0.5 | 7.5 | 4.2 |
| 100 001–1 000 000 | 32 | 0.1 | 17.1 | 18.5 |
| 1 000 001– | 14 | 0.0 | 57.0 | 65.5 |
| Total | 44 596 | 100.0 | 100.0 | 100.0 |

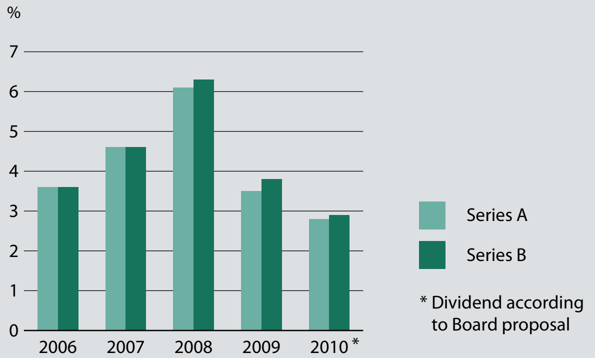
## Major shareholders at 31 December 2010

| | | Percentage of shares % | Percentage of votes % |
|---|---|---|---|
| 1 | HTT Holding Oy Ab | 11.8 | 10.7 |
| 2 | Föreningen Konstsamfundet grouping | 9.5 | 15.0 |
| 3 | Svenska litteratursällskapet i Finland r.f. | 7.6 | 15.7 |
| 4 | Niemistö grouping | 5.9 | 9.4 |
| 5 | Etola Group | 4.3 | 6.1 |
| 6 | Stiftelsen för Åbo Akademi | 4.1 | 6.3 |
| 7 | Varma Mutual Pension Insurance Comapany | 3.5 | 0.7 |
| 8 | Ilmarinen Mutual Pension Insurance Company | 3.5 | 1.3 |
| 9 | Samfundet Folkhälsan i svenska Finland r.f. | 2.2 | 2.7 |
| 10 | Jenny ja Antti Wihuri's Fund | 1.9 | 2.1 |
| 11 | Inez och Julius Polins Fond | 1.5 | 0.8 |
| 12 | Tapiola Mutual Pension Insurance Company | 1.5 | 0.3 |
| 13 | Sigrid Jusélius Stiftelse | 1.4 | 2.7 |
| 14 | Wilhelm och Else Stockmanns Stiftelse | 1.1 | 2.2 |
| 15 | The State Pension Fund | 0.9 | 0.2 |
| 16 | Helene och Walter Grönqvists Stiftelse | 0.8 | 1.4 |
| 17 | Stiftelsen Bensows Barnhem Granhyddan r.s. | 0.8 | 1.0 |
| 18 | OP-Delta Fund | 0.6 | 0.1 |
| 19 | Stiftelsen Brita Maria Renlunds minne | 0.6 | 0.8 |
| 20 | Mutual Insurance Company Pension Fennia | 0.5 | 0.1 |
| | Other | 36.0 | 20.4 |
| Total | | 100.0 | 100.0 |

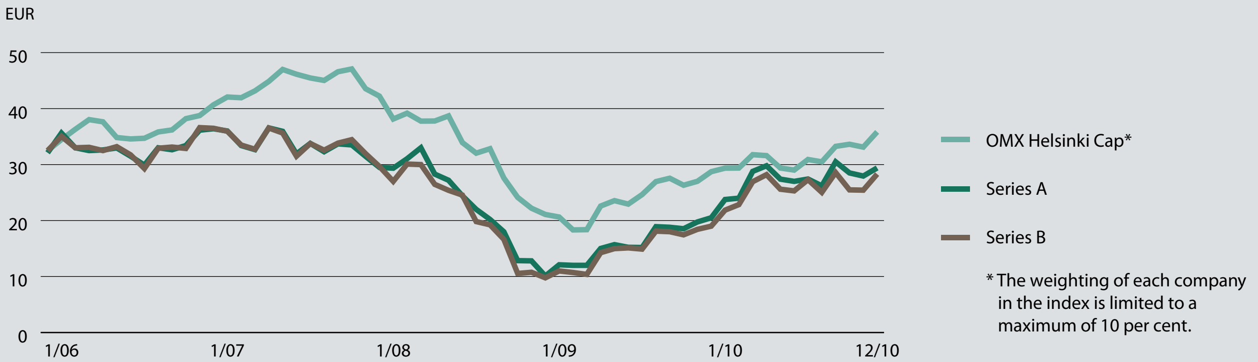
### Turnover and price trend of Series A and Series B shares 2010



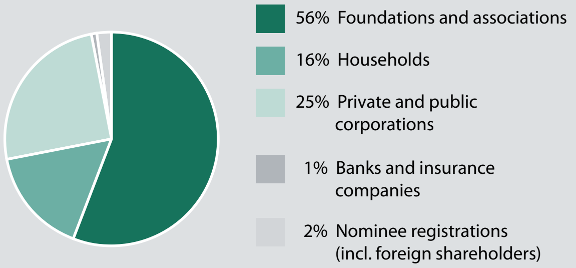

### Effective yield of shares 2006–2010



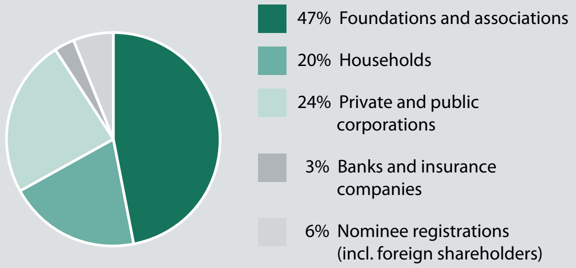

### Price trend of Series A and Series B shares compared with OMX Helsinki Cap Index 2006–2010



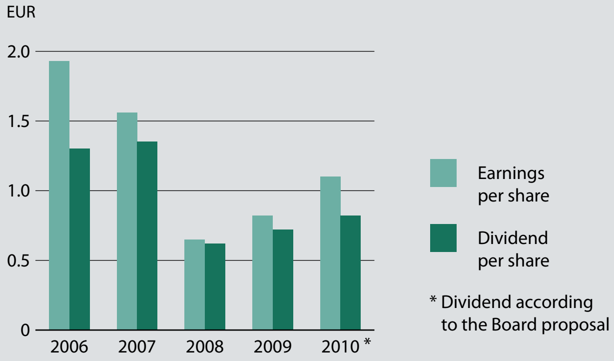
Distribution of votes 2010



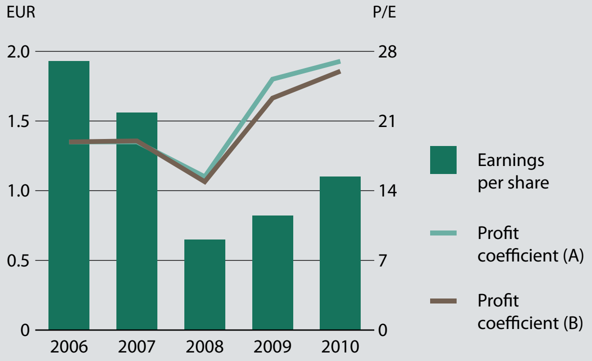

Distribution of shares 2010



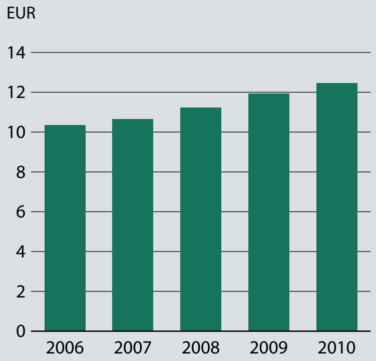

Earnings per share and dividend per share 2006–2010



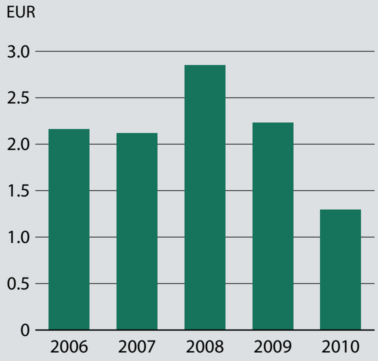

Earnings per share and P/E ratio 2006–2010 (share-issue-adjusted)




Equity per share 2006–2010




Cash flows per share 2006–2010



# Per-share data

| | | 2006 | 2007 | 2008**** | 2009**** | 2010 |
|---|---|---|---|---|---|---|
| Earnings per share*** | EUR | 1.93 | 1.56 | 0.65 | 0.82 | 1.10 |
| Earnings per share, diluted*** | EUR | 1.90 | 1.55 | 0.65 | 0.81 | 1.09 |
| Equity per share | EUR | 10.34 | 10.66 | 11.22 | 11.94 | 12.45 |
| Dividend per share* | EUR | 1.30 | 1.35 | 0.62 | 0.72 | 0.82 |
| Dividend per earnings*/*** | % | 67.4 | 86.5 | 94.7 | 88.0 | 74.5 |
| Cash flow per share*** | EUR | 2.16 | 2.12 | 2.85 | 2.23 | 1.29 |
| Effective dividend yield * | % | | | | | |
| Series A | | 3.6 | 4.6 | 6.1 | 3.5 | 2.8 |
| Series B | | 3.6 | 4.6 | 6.3 | 3.8 | 2.9 |
| P/E ratio of shares*** | | | | | | |
| Series A | | 18.9 | 18.9 | 15.4 | 25.2 | 27.0** |
| Series B | | 18.9 | 19.0 | 14.9 | 23.3 | 26.0** |
| Share quotation at December 31 | EUR | | | | | |
| Series A | | 36.40 | 29.50 | 10.10 | 20.50 | 29.40 |
| Series B | | 36.48 | 29.66 | 9.77 | 19.00 | 28.30 |
| Highest price during the period | EUR | | | | | |
| Series A | | 38.10 | 37.49 | 34.75 | 22.00 | 31.50 |
| Series B | | 38.44 | 37.84 | 32.00 | 20.00 | 30.50 |
| Lowest price during the period | EUR | | | | | |
| Series A | | 28.70 | 29.05 | 10.10 | 10.68 | 20.60 |
| Series B | | 28.11 | 29.47 | 9.33 | 9.63 | 18.85 |
| Average price during the period | EUR | | | | | |
| Series A | | 33.85 | 33.90 | 20.35 | 16.11 | 26.97 |
| Series B | | 33.15 | 33.77 | 20.90 | 14.80 | 25.41 |
| Share turnover | thousands | | | | | |
| Series A | | 819 | 695 | 859 | 512 | 1 022 |
| Series B | | 19 440 | 20 682 | 29 327 | 17 290 | 14 582 |
| Share turnover | % | | | | | |
| Series A | | 3.3 | 2.8 | 3.2 | 1.7 | 3.3 |
| Series B | | 62.5 | 65.6 | 83.5 | 42.7 | 36.0 |
| Market capitalization at December 31 | EUR mill. | 2 028.6 | 1 659.8 | 611.6 | 1 396.7 | 2 047.1 |
| Number of shares at December 31 | thousands | 55 662 | 56 094 | 61 703 | 71 094 | 71 146 |
| Series A | | 24 564 | 24 564 | 26 582 | 30 628 | 30 628 |
| Series B | | 31 098 | 31 529 | 35 121 | 40 466 | 40 518 |
| Weighted average number of shares*** | thousands | 54 310 | 56 649 | 59 710 | 65 676 | 71 120 |
| Series A | | 24 564 | 25 046 | 27 103 | 28 373 | 30 628 |
| Series B | | 29 746 | 31 603 | 32 606 | 37 303 | 40 493 |
| Weighted average number of shares, diluted*** | thousands | 55 178 | 56 861 | 59 710 | 65 995 | 71 897 |
| The own shares owned by the company | thousands | 383 | 370 | 364 | | |
| Series A | | | | | | |
| Series B | | 383 | 370 | 364 | | |
| Total number of shareholders at December 31 | | 40 198 | 39 137 | 42 888 | 43 929 | 44 596 |

** Board proposal to the AGM. According to the proposal, a dividend of EUR 0.82 per share will be paid.*
*** The dilution effect of options has been taken into account in the 2010 figures.*
**** 2007 and 2008 restated due to rights issue in 2009.*
***** Financial years 2008–2009 restated due to an error.*

# Key figures

| | | 2006 | 2007 | 2008** | 2009** | **2010** |
|---|---|---|---|---|---|---|
| Revenue | EUR mill. | 1 300.7 | 1 398.2 | 1 878.7 | 1 698.5 | 1 821.9 |
| Change on the previous year | % | -15.7 | 7.5 | 34.4 | -9.6 | 7.3 |
| Operating profit | EUR mill. | 129.5 | 125.2 | 121.9 | 85.1 | 88.8 |
| Change on the previous year | % | 24.9 | -3.4 | -2.6 | -30.2 | 4.4 |
| Share of revenue | % | 10.0 | 9.0 | 6.5 | 5.0 | 4.9 |
| Profit before taxes | EUR mill. | 128.9 | 119.4 | 71.7 | 61.1 | 74.2 |
| Change on the previous year | % | 25.4 | -7.4 | -39.9 | -14.9 | 21.5 |
| Share of revenue | % | 9.9 | 8.5 | 3.8 | 3.6 | 4.1 |
| Share capital | EUR mill. | 111.7 | 112.2 | 123.4 | 142.2 | 142.3 |
| Series A | EUR mill. | 49.1 | 49.1 | 53.2 | 61.3 | 61.3 |
| Series B | EUR mill. | 62.6 | 63.1 | 70.2 | 80.9 | 81.0 |
| Dividends* | EUR mill. | 72.1 | 75.2 | 38.0 | 51.2 | 58.3 |
| Return on equity | % | 19.4 | 15.2 | 6.1 | 7.0 | 9.0 |
| Return on capital employed | % | 22.9 | 12.1 | 8.3 | 5.8 | 5.8 |
| Capital employed | EUR mill. | 573.8 | 1 047.2 | 1 481.7 | 1 551.0 | 1 668.5 |
| Capital turnover rate | | 2.3 | 1.3 | 1.3 | 1.1 | 1.1 |
| Inventories rate | | 5.0 | 4.3 | 4.4 | 4.9 | 3.8 |
| Equity ratio | % | 74.5 | 32.6 | 39.0 | 44.1 | 43.1 |
| Net gearing | % | -6.3 | 146.9 | 107.6 | 72.2 | 87.7 |
| Investment in fixed assets | EUR mill. | 125.5 | 977.4 | 182.3 | 152.8 | 165.4 |
| Share of revenue | % | 9.6 | 69.9 | 9.7 | 9.0 | 9.1 |
| Interest-bearing debtors | EUR mill. | 98.9 | 98.8 | 52.2 | 44.5 | 41.4 |
| Interest-bearing liabilities | EUR mill. | 23.4 | 905.6 | 775.7 | 789.2 | 813.3 |
| Interest-bearing net debt | EUR mill. | -134.7 | 773.6 | 688.2 | 568.3 | 735.1 |
| Total assets | EUR mill. | 767.6 | 1 823.7 | 1 764.1 | 1 925.7 | 2 053.8 |
| Staff expenses | EUR mill. | 204.7 | 224.1 | 350.5 | 327.4 | 361.9 |
| Share of revenue | % | 15.7 | 16.0 | 18.7 | 19.3 | 19.9 |
| Personnel, average | persons | 10 069 | 11 161 | 15 669 | 14 656 | 15 165 |
| Revenue per person | EUR thousands | 129.2 | 125.3 | 119.9 | 115.9 | 120.1 |
| Operating profit per person | EUR thousands | 12.9 | 11.2 | 7.8 | 5.8 | 5.9 |
| Staff expenses per person | EUR thousands | 20.3 | 20.1 | 22.4 | 22.3 | 23.9 |

** Board proposal to the AGM. According to the proposal, a dividend of EUR 0.82 per share will be paid.*
*** Financial years 2008–2009 restated due to an error.*

# Definition of key indicators

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

[1)] *Without the own shares owned by the company.*

# Consolidated statement of financial position

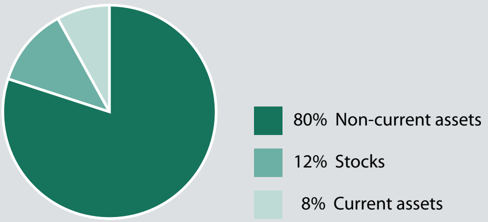
| EUR millions | 31.12.2010 | 31.12.2009 | 1.1.2009 |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| **Intangible assets** | | | |
| Trademark | **101.6** | 89.2 | 84.4 |
| Intangible rights | **19.7** | 17.8 | 24.5 |
| Other intangible assets | **1.0** | 1.3 | 3.2 |
| Goodwill | **783.8** | 685.4 | 646.5 |
| **Intangible assets total** | **906.1** | **793.7** | **758.5** |
| **Property, plant, equipment** | | | |
| Land and water | **43.8** | 40.1 | 37.0 |
| Buildings and constructions | **485.4** | 273.9 | 158.2 |
| Machinery and equipment | **123.8** | 92.0 | 96.2 |
| Modification and renovation expenses for leased premises | **49.8** | 50.0 | 49.4 |
| Advance payments and construction in progress | **23.2** | 163.6 | 246.9 |
| **Property, plant, equipment, total** | **726.0** | **619.5** | **587.5** |
| **Non-current receivables** | **0.8** | **0.6** | **1.6** |
| **Available for sale investments** | **5.0** | **5.0** | **6.6** |
| **Deferred tax asset** | **8.7** | **5.1** | **4.5** |
| **NON-CURRENT ASSETS, TOTAL** | **1 646.7** | **1 423.9** | **1 358.8** |
| **CURRENT ASSETS** | | | |
| **Inventories** | **240.3** | **196.7** | **220.7** |
| **Short-term receivables** | | | |
| Receivables, interest-bearing | **41.4** | 44.5 | 52.2 |
| Income tax receivable | **15.5** | 0.5 | 15.2 |
| Receivables, non-interest-bearing | **73.2** | 83.7 | 82.0 |
| **Current receivables, total** | **130.1** | **128.7** | **149.5** |
| **Cash and cash equivalents** | **36.7** | **176.4** | **35.2** |
| **CURRENT ASSETS, TOTAL** | **407.1** | **501.7** | **405.3** |
| **ASSETS, TOTAL** | **2 053.8** | **1 925.7** | **1 764.1** |

*In the opening balance on 1 January 2009 and the balance sheet on 31 December 2009 the error concerning financial years 2008–2009 has been corrected.*

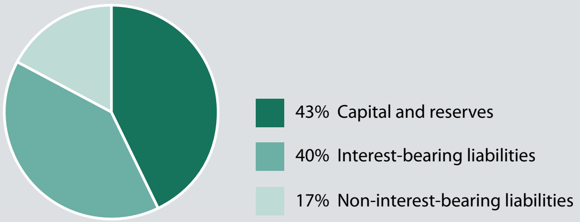
| EUR millions | 31.12.2010 | 31.12.2009 | 1.1.2009 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **EQUITY** | | | |
| Share capital | **142.3** | 142.2 | 123.4 |
| Share premium fund | **186.1** | 186.1 | 186.1 |
| Other funds | **287.8** | 287.4 | 169.6 |
| Translation reserve | **3.5** | -5.0 | -6.7 |
| Retained earnings | **266.0** | 238.1 | 215.8 |
| **Equity attributable to equity holders of the parent** | **885.7** | **848.8** | **688.1** |
| **Non-controlling interest** | **-0.0** | **0.0** | **0.0** |
| **EQUITY, TOTAL** | **885.7** | **848.8** | **688.1** |
| **NON-CURRENT LIABILITIES** | | | |
| Deferred tax liability | **63.8** | 70.1 | 78.1 |
| Non-current liabilities, interest-bearing | **521.3** | 786.9 | 755.7 |
| Provisions for pensions | **0.2** | 1.1 | 1.4 |
| Non-current provisions | **0.0** | 0.3 | 0.6 |
| **NON-CURRENT LIABILITIES, TOTAL** | **585.2** | **858.5** | **835.7** |
| **CURRENT LIABILITIES** | | | |
| **Current liabilities, interest-bearing** | **292.0** | **2.3** | **20.0** |
| **Current liabilities, non-interest-bearing** | | | |
| Trade payables and other current liabilities | **289.2** | 213.0 | 219.2 |
| Income tax liability | **1.7** | 3.1 | 1.1 |
| **Current liabilities, non-interest-bearing, total** | **290.9** | **216.1** | **220.3** |
| **CURRENT LIABILITIES, TOTAL** | **582.9** | **218.4** | **240.3** |
| **LIABILITIES, TOTAL** | **1 168.1** | **1 076.8** | **1 076.1** |
| **EQUITY AND LIABILITIES, TOTAL** | **2 053.8** | **1 925.7** | **1 764.1** |

*In the opening balance on 1 January 2009 and the balance sheet on 31 December 2009 the error concerning financial years 2008–2009 has been corrected.*

Assets 2010




Equity and liabilities 2010



# Consolidated income statement

| EUR millions | 1.1.–31.12.2010 | Percentage of revenue | 1.1.–31.12.2009 | Percentage of revenue |
|---|---|---|---|---|
| **REVENUE** | **1 821.9** | **100.0** | **1 698.5** | **100.0** |
| Other operating income | **0.0** | **0.0** | 0.3 | 0.0 |
| Raw material and consumables used | **-947.5** | | -853.3 | |
| Change in inventories, increase (-) / decrease (+) | **34.5** | | -27.7 | |
| **Raw materials and consumables used, total** | **-913.0** | **50.1** | **-881.0** | **51.9** |
| Wages, salaries and employee benefits expenses | **-361.9** | **19.9** | -327.4 | 19.3 |
| Depreciation, amortisation and impairment losses | **-61.8** | **3.4** | -58.4 | 3.4 |
| Other operating expenses | **-396.4** | **21.8** | -346.8 | 20.4 |
| **Expenses, total** | **-1 733.1** | **95.1** | **-1 613.7** | **95.0** |
| **OPERATING PROFIT** | **88.8** | **4.9** | **85.1** | **5.0** |
| Financing income | **8.2** | **0.5** | 4.4 | 0.3 |
| Financing expenses | **-22.8** | **1.3** | -28.4 | 1.7 |
| **PROFIT BEFORE TAX** | **74.2** | **4.1** | **61.1** | **3.6** |
| Income taxes | **4.2** | **0.2** | -7.3 | 0.4 |
| **PROFIT FOR THE PERIOD** | **78.3** | **4.3** | **53.8** | **3.2** |
| **Profit for the period attributable to:** | | | | |
| Equity holders of the parent company | **78.3** | | 53.8 | |
| Non-controlling interest | **-0.0** | | 0.0 | |
| EPS, undiluted, adjusted for share issue, EUR | **1.10** | | 0.82 | |
| EPS, diluted, adjusted for share issue, EUR | **1.09** | | 0.81 | |

| Other comprehensive information | 1.1.–31.12.2010 | 1.1.–31.12.2009 |
|---|---|---|
| **PROFIT FOR THE PERIOD** | **78.3** | **53.8** |
| **Other comprehensive income** | | |
| Exchange differences on translating foreign operations | **8.5** | 1.7 |
| Cash flow hedges | **-0.9** | -1.4 |
| **Other comprehensive income for the year net of tax** | **7.6** | **0.4** |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | **85.9** | **54.1** |
| **Total comprehensive income attributable to:** | | |
| Equity holders of the parent company | **85.9** | 54.1 |
| Non-controlling interest | **0.0** | 0.0 |

# Consolidated cash flow statement

| EUR millions | 1.1.–31.12.2010 | 1.1.–31.12.2009 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit/loss for the period | **78.3** | 53.8 |
| **Adjustments for:** | | |
| Depreciation, amortisation & impairment loss | **61.8** | 58.4 |
| Gains (-) and losses (+) of disposals of fixed assets and other non-current assets | **0.1** | -0.3 |
| Interest and other financial expenses | **22.8** | 28.4 |
| Interest income | **-8.2** | -4.4 |
| Tax on income from operations | **-4.2** | 7.3 |
| Other adjustments | **-1.1** | -0.4 |
| **Working capital changes:** | | |
| Increase (-) / decrease (+) in inventories | **-34.3** | 27.1 |
| Increase (-) / decrease (+) in trade and other receivables | **-1.1** | 0.4 |
| Increase (+) / decrease (-) in short-term interest-free liabilities | **15.7** | 5.8 |
| Interest and other financial expenses paid | **-22.5** | -32.9 |
| Interest received | **0.8** | 2.1 |
| Income taxes paid | **-16.4** | 1.4 |
| **Net cash from operating activities** | **91.8** | **146.8** |
| **Cash flows from investing activities** | | |
| Purchase of tangible and intagible assets | **-166.7** | -152.9 |
| Proceeds from sale of tangible and intangible assets | **0.7** | 71.1 |
| Disposal of subsidiaries, net of cash disposed of | **0.0** | 5.6 |
| Purchase of investments | **0.1** | |
| Proceeds from sale of investments | **0.0** | 1.8 |
| Dividends received | **0.3** | 0.2 |
| **Net cash used in investing activities** | **-165.7** | **-74.3** |
| **Cash flows from financing activities** | | |
| Proceeds from issue of share capital | **1.5** | 137.0 |
| Proceeds from sale of own shares | | 5.1 |
| Proceeds from short-term borrowings | **236.8** | 0.0 |
| Repayment of short-term borrowings | **-50.3** | -19.3 |
| Proceeds from long-term borrowings | **518.8** | 200.0 |
| Repayment of long-term borrowings | **-721.8** | -216.2 |
| Payment of finance lease liabilities | **-1.5** | -0.7 |
| Dividends paid | **-51.2** | -38.0 |
| **Net cash used in financing activities** | **-67.7** | **67.9** |
| **Cash and cash equivalents at beginning of the period** | **175.8** | 34.5 |
| Effects of exchange rate fluctuations on cash held | **2.2** | 1.0 |
| Cash and cash equivalents at the end of the period | **36.7** | 176.3 |
| Cheque account with overdraft facility | **-0.3** | -0.5 |
| **Cash and cash equivalents at the end of the period** | **36.4** | **175.8** |

# Consolidated statement of change in equity

| | Share capital* | Share premium fund | Hedging reserve** | Reserve for invested unrestricted equity | Other reserves | Translation reserve | Retained earnings | Total | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **EQUITY 1.1.2009** | **123.4** | **186.1** | **1.4** | **124.1** | **44.1** | **-6.7** | **216.8** | **689.1** | | **689.1** |
| **Error correction** | | | | | | | -1.1 | -1.1 | | -1.1 |
| **ADJUSTED EQUITY 1.1.2009** | 123.4 | 186.1 | 1.4 | 124.1 | 44.1 | -6.7 | 215.8 | 688.1 | 0.0 | 688.1 |
| **Changes in equity for** | | | | | | | | | | |
| Dividend distribution | | | | | | | -38.0 | -38.0 | | -38.0 |
| New share issue | 18.8 | | | | | | | 18.8 | | 18.8 |
| Options exercised | | | | | | | 1.4 | 1.4 | | 1.4 |
| Share premium | | | | 122.2 | | | | 122.2 | | 122.2 |
| Loss on disposal of treasury shares | | | | | | | 5.1 | 5.1 | | 5.1 |
| Transaction costs for equity** | | | | -2.9 | | | | -2.9 | | -2.9 |
| **Total comprehensive income for the year**** | **0.0** | | **-1.4** | **0.0** | | **1.7** | **53.8** | **54.2** | **0.0** | **54.2** |
| **SHAREHOLDERS' EQUITY TOTAL 31.12.2009** | **142.2** | **186.1** | **0.0** | **243.3** | **44.1** | **-5.0** | **238.1** | **848.8** | | **848.8** |

| | Share capital* | Share premium fund | Hedging reserve** | Reserve for invested unrestricted equity | Other reserves | Translation reserve | Retained earnings | Total | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **EQUITY 1.1.2010** | **142.2** | **186.1** | **0.0** | **243.3** | **44.1** | **-5.0** | **238.1** | **848.8** | **0.0** | **848.8** |
| **Changes in equity for** | | | | | | | | | | |
| Dividend distribution | | | | | | | -51.1 | -51.1 | | -51.1 |
| New share issue | 0.1 | | | | | | | 0.1 | | 0.1 |
| Options exercised | | | | | | | 0.3 | 0.3 | | 0.3 |
| Share premium | | | | 1.3 | | | | 1.3 | | 1.3 |
| **Total comprehensive income for the year**** | **0.0** | | **-0.7** | **0.0** | | **8.5** | **78.3** | **86.1** | **0.0** | **86.1** |
| **SHAREHOLDERS' EQUITY TOTAL 31.12.2010** | **142.3** | **186.1** | **-0.6** | **244.6** | **43.8** | **3.5** | **266.0** | **885.7** | | **885.7** |

** Including share issue.*
*** Adjusted with deferred tax liability.*

# Parent company balance sheet, FAS

| EUR millions | 31.12.2010 | 31.12.2009 |
|---|---|---|
| **ASSETS** | | |
| **NON-CURRENT ASSETS** | | |
| **Intangible assets** | | |
| Intangible rights | **11.5** | 4.6 |
| Goodwill | **1.9** | |
| Advance payments and projects in progress | **0.9** | 0.6 |
| **Intangible assets, total** | **14.3** | 5.3 |
| **Property, plant, equipment** | | |
| Land and water | **12.5** | 10.9 |
| Buildings and constructions | **325.3** | 262.1 |
| Machinery and equipment | **12.2** | 4.3 |
| Modification and renovation expenses for leased premises | **6.5** | 7.5 |
| Other tangible assets | **0.1** | 0.1 |
| Advance payments and construction in progress | **5.6** | 47.2 |
| **Property, plant, equipment, total** | **362.0** | 332.1 |
| **Investments** | | |
| Holdings in Group undertakings | **194.5** | 132.1 |
| Other shares and participations | **16.0** | 16.0 |
| **Investments, total** | **210.5** | 148.1 |
| **NON-CURRENT ASSETS, TOTAL** | **586.8** | 485.5 |
| **CURRENT ASSETS** | | |
| **Inventories** | | |
| Materials and consumables | **94.4** | 66.2 |
| **Inventories, total** | **94.4** | 66.2 |
| **Non-current receivables** | | |
| Loans owed by Group undertakings | **1 071.3** | 971.7 |
| **Non-current receivables, total** | **1 071.3** | 971.7 |
| **Current receivables** | | |
| Trade receivables | **53.8** | 18.5 |
| Amounts owed by Group undertakings | **58.1** | 94.3 |
| Other receivables | **4.3** | 4.6 |
| Prepayments and accrued income | **13.2** | 3.8 |
| **Current receivables, total** | **129.3** | 121.1 |
| **Receivables, total** | **1 200.6** | 1 092.8 |
| **Cash and cash equivalents** | **8.9** | 153.6 |
| **CURRENT ASSETS, TOTAL** | **1 303.9** | 1 312.6 |
| **ASSETS, TOTAL** | **1 890.7** | 1 798.1 |
| **EQUITY AND LIABILITIES** | | |
| **EQUITY** | | |
| Share capital | **142.3** | 142.2 |
| Premium fund | **186.3** | 186.3 |
| Reserve for invested unrestricted equity | **249.7** | 248.4 |
| Other funds | **43.7** | 43.7 |
| Retained earnings | **131.8** | 124.6 |
| **Net profit for the period** | **21.5** | 58.3 |
| **EQUITY, TOTAL** | **775.4** | 803.5 |
| **ACCUMULATED APPROPRIATIONS** | **94.4** | 78.0 |
| **LIABILITIES** | | |
| **Non-current liabilities** | | |
| Loans from credit institutions | **397.6** | 608.5 |
| Pension loans | **96.3** | 133.0 |
| Amounts owed to Group undertakings | **72.6** | 64.1 |
| **Non-current liabilities, total** | **566.5** | 805.6 |
| **Current liabilities** | | |
| Loans from credit institutions | **52.8** | 2.5 |
| Pension loans | **48.2** | |
| Other interest bearing loans | **186.5** | |
| Trade payables | **61.6** | 51.0 |
| Amounts owed to Group undertakings | **2.4** | 4.9 |
| Other payables | **28.8** | 25.0 |
| Accrued expenses and prepaid income | **74.1** | 27.6 |
| **Current liabilities, total** | **454.4** | 110.9 |
| **LIABILITIES, TOTAL** | **1 020.9** | 916.5 |
| **EQUITY AND LIABILITIES, TOTAL** | **1 890.7** | 1 798.1 |

# Parent company income statement, FAS

| EUR millions | 1.1.–31.12.2010 | Percentage of revenue | 1.1.–31.12.2009 | Percentage of revenue |
|---|---|---|---|---|
| **REVENUE** | **814.5** | 100.0 | 651.8 | 100.0 |
| **Other operating income** | **17.6** | 2.2 | 20.7 | 3.2 |
| | | | | |
| **Materials and services** | | | | |
| Materials and consumables: | | | | |
| Purchases during the financial year | **492.0** | | 376.8 | |
| Change in inventories, increase (-) / decrease (+) | **-13.9** | | 6.7 | |
| **Materials and services, total** | **478.1** | 58.7 | 383.5 | 58.8 |
| **Wages, salaries and employee benefits expenses** | **162.4** | 19.9 | 135.6 | 20.8 |
| **Depreciation, amortisation and reduction in value** | **14.6** | 1.8 | 11.6 | 1.8 |
| **Other operating expenses** | **139.5** | 17.1 | 100.0 | 15.3 |
| | **794.5** | 97.6 | 630.7 | 96.8 |
| | | | | |
| **OPERATING PROFIT** | **37.5** | 4.6 | 41.8 | 6.4 |
| | | | | |
| **Financing income and expenses** | **40.5** | 5.0 | 50.3 | 7.7 |
| | | | | |
| **PROFIT BEFORE EXTRAORDINARY ITEMS** | **78.0** | 9.6 | 92.1 | 14.1 |
| | | | | |
| **Extraordinary items** | | | | |
| Extraordinary income | **12.5** | | 21.2 | |
| Extraordinary expenses | **-53.0** | | -36.3 | |
| **Extraordinary items, total** | **-40.5** | -5.0 | -15.1 | -2.3 |
| | | | | |
| **PROFIT BEFORE APPROPRIATIONS AND TAXES** | **37.5** | 4.6 | 77.0 | 11.8 |
| | | | | |
| **Appropriations** | **-15.9** | -2.0 | -10.4 | -1.6 |
| | | | | |
| **Income taxes** | | | | |
| For the financial year | **0.0** | | 8.3 | |
| For previous financial years | **0.0** | | 0.0 | |
| **Income taxes, total** | **0.1** | 0.0 | 8.3 | 1.3 |
| | | | | |
| **PROFIT FOR THE PERIOD** | **21.5** | 2.6 | 58.3 | 8.9 |

# Parent company cash flow statement, FAS

| EUR millions | 1.1.–31.12.2010 | 1.1.–31.12.2009 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net profit for the financial year | **21.5** | 58.3 |
| Adjustments: | | |
| Depreciation | **14.6** | 11.6 |
| Other operating income | | -0.3 |
| Other adjustments | **42.0** | 17.0 |
| Financial income and expenses | **-40.5** | -50.3 |
| Appropriations | **15.9** | 10.4 |
| Income taxes | **0.1** | 8.3 |
| Changes in working capital: | | |
| Change in trade and other receivables | **8.5** | 6.3 |
| Change in inventories | **-13.9** | 6.7 |
| Change in trade payables and other liabilities | **54.3** | -0.4 |
| Interest and other financial expenses paid | **-21.0** | -25.5 |
| Interest received | **34.0** | 52.6 |
| Income taxes paid | **-9.2** | 5.3 |
| **NET CASH FROM OPERATING ACTIVITIES** | **106.4** | 100.0 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Capital expenditure on tangible and intangible assets | **-50.2** | -55.0 |
| Additions to holdings in Group undertakings | **-81.2** | -44.6 |
| Proceeds from disposal of subsidiary shares | | 5.6 |
| Proceeds from disposal of tangible assets | | 0.0 |
| Proceeds from disposal of other investments | | 1.8 |
| Loans granted | **-61.7** | -51.3 |
| Proceeds of repayments of loans | **56.5** | 48.2 |
| Dividends received | **34.1** | 36.5 |
| **NET CASH FROM INVESTING ACTIVITIES** | **-102.4** | -58.9 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from (+) / repayment of (-) loan receivables | **-57.7** | 45.0 |
| Proceeds from issue of share capital | **1.5** | 137.0 |
| Procees from sale of own shares | | 5.1 |
| Proceeds from (+) / repayment of (-) short-term loans | **186.9** | -17.9 |
| Repayments of long-term loans | **-721.5** | -216.2 |
| Proceeds from long-term loans | **527.2** | 209.3 |
| Dividends paid | **-51.2** | -38.0 |
| Proceeds from (+) / payment of (-) Group contibutions | **-51.2** | -38.0 |
| **NET CASH FROM FINANCING ACTIVITIES** | **-148.7** | 104.3 |
| **Change in cash and cash equivalents** | **-144.8** | 145.4 |
| **Cash and cash equivalents at start of the financial year** | **153.6** | 8.3 |
| **Cash and cash equivalents at end of the financial year** | **8.9** | 153.6 |

# Proposal for the distribution of parent company profit

The parent company's distributable funds according to the balance sheet at December 31, 2010, were EUR 446.8 million.

According to the Parent Company Balance Sheet at December 31, 2010, the following amounts are at disposal of the Annual General Meeting:

| | |
|---|---|
| • Retained earnings, including the Contingency fund and the Reserve for invested unrestricted equity | 425 249 513.44 |
| • Net profit for the financial year | 21 513 078.07 |
| | 446 762 591.51 |

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

| | |
|---|---|
| • on the 71 146 000 shares owned by external parties be paid a dividend of EUR 0.82 per share for the financial year 2010 | 58 339 720.00 |
| • to be carried forward to the Contingency fund, Reserve for invested unrestricted equity and Retained earnings | 388 422 871.51 |
| | 446 762 591.51 |

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

Helsinki, 9 February 2011

Signatures of the Board of Directors and the CEO to the Report by the Board of Directors and the financial statements.

BOARD OF DIRECTORS

Christoffer Taxell

Kaj-Gustaf Bergh    Erkki Etola    Eva Liljeblom

Kari Niemistö    Charlotta Tallqvist-Cederberg    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 December 31, 2010. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

## Responsibility of the Board of Directors and the CEO

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

## Auditor's Responsibility

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

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

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

## Opinion on the consolidated financial statements

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

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

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

Helsinki February 16, 2011

| | |
|---|---|
| Jari Härmälä | Henrik Holmbom |
| Authorized Public Accountant | Authorized Public Accountant |

# Contact information

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