STOCKMANN

ANNUAL REPORT 2013

STOCKMANN – AN INTERNATIONAL RETAIL PROFESSIONAL

Stockmann is a Finnish listed company engaged in the retail trade. Stockmann offers in its department stores, in Lindex and Seppälä fashion stores as well as in its online stores fashion and accessories for every taste. In 2013 fashion was sold for approximately EUR 1.4 billion, and fashion accounted for 68 per cent of the Group's total revenue.

DEPARTMENT STORE DIVISION

STOCKMANN

More than I expected

Offers uniquely extensive and high-quality product ranges of international brands as well as excellent customer service in a modern and inspiring shopping environment.

CONTENTS

FASHION CHAIN DIVISION

LINDEX - *World-class fashion experience*
Offers inspiring affordable fashion. The product range covers a variety of fashion concepts within women's and children's wear, lingerie and cosmetics.

SEPPÄLÄ - *Bold challenger in international fashion markets.* Offers an extensive selection of international fashion for women, men and children.

STOCKMANN IN 2013

The Stockmann Group's revenue was EUR 2 037.1 million and operating profit declined to EUR 54.4 million in 2013. Earnings per share were EUR 0.67. The personnel amounted to 15 441 at the year-end 2013. Stockmann plc shares are listed on NASDAQ OMX Helsinki. The company has approximately 60 000 shareholders. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.40 per share be paid for 2013.

KEY FIGURES

	2013	2012	2011	2010	2009
Revenue, EUR mill.	**2 037.1**	2 116.4	2 005.3	1 821.9	1 698.5
Revenue growth, %	**-3.7**	5.5	10.1	7.3	-9.6
Gross margin, %	**48.6**	49.5	48.7	49.9	48.1
Operating profit, EUR mill.	**54.4**	87.3	70.1	88.8	85.1
Net financial costs, EUR mill.	**27.6**	32.4	34.4	14.6	24.0
Profit before taxes, EUR mill.	**26.8**	54.9	35.7	74.2	61.1
Profit for the period, EUR mill.	**48.4**	53.6	30.8	78.3	53.8
Earnings per share, undiluted, EUR	**0.67**	0.74	0.43	1.09	0.81
Equity per share, EUR	**12.42**	12.40	12.11	12.45	11.94
Dividend paid, EUR mill.	**28.8***	43.2	35.9	58.3	51.2
Dividend per share, EUR	**0.40***	0.60	0.50	0.82	0.72
Cash flow from operating activities, EUR mill.	**125.4**	123.67	66.2	91.8	146.8
Capital expenditure, EUR mill.	**56.8**	60.3	66.0	165.4	152.8
Net gearing, %	**87.3**	90.9	95.3	87.7	72.2
Equity ratio, %	**43.8**	42.8	42.2	43.1	44.1
Number of shares, undiluted, weighted average, thousands	**72 049**	71 945	71 496	71 120	65 676
Return on capital employed, %	**3.4**	5.1	4.1	5.8	5.8
Personal, average	**14 963**	15 603	15 964	15 165	14 656

** Board's proposal for the Annual General Meeting.*

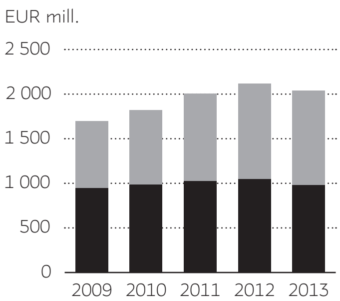
REVENUE BY DIVISION 2013

- 60% Department Store Division
- 40% Fashion Chain Division

REVENUE BY MARKET 2013

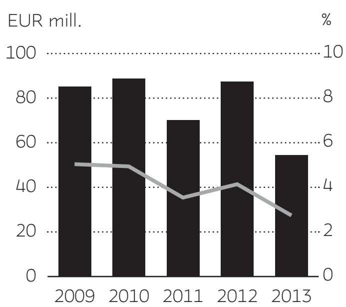
- 48% Finland
- 27% Sweden and Norway
- 17% Russia
- 8% Baltic countries and Central Europe

REVENUE 2009–2013



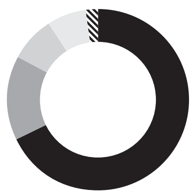
- International operations
- Finland

OPERATING PROFIT 2009–2013



- % of revenue

REVENUE BY MERCHANDISE AREA 2013



- 68% Fashion and cosmetics
- 15% Food
- 8% Leisure
- 7% Home
- 2% Books, publications, stationery

stockmanngroup.com/investors

OPERATIONS IN **OVER 20 COUNTRIES**

The Stockmann Group has 16 department stores, around 700 fashion stores in 16 countries and 5 online stores. In addition, the Stockmann Group has six purchasing offices in five Asian countries. In 2014 the store network will expand to China, when Lindex's first stores will open in Shanghai in the autumn.

DEPARTMENT STORE DIVISION

1 FINLAND
- 7 department stores
- 7 Academic Bookstores
- Hobby Hall mail order sales and 1 store
- 11 Stockmann Beauty stores

2 RUSSIA
- 7 department stores
- 1 shopping centre
- 1 outlet store

3 ESTONIA
- 1 department store

4 LATVIA
- 1 department store

FASHION CHAIN DIVISION

1 FINLAND
- 58 Lindex stores
- 133 Seppälä stores

2 RUSSIA
- 22 Lindex stores
- 36 Seppälä stores

3 ESTONIA
- 8 Lindex stores
- 21 Seppälä stores

4 LATVIA
- 8 Lindex stores
- 10 Seppälä stores

5 SWEDEN
- 211 Lindex stores

6 NORWAY
- 99 Lindex stores

7 LITHUANIA
- 9 Lindex stores
- 9 Seppälä stores

8 POLAND
- 6 Lindex stores

9 CZECH REPUBLIC
- 19 Lindex stores

10 SLOVAKIA
- 4 Lindex stores

11 ICELAND
- 2 Lindex franchising stores

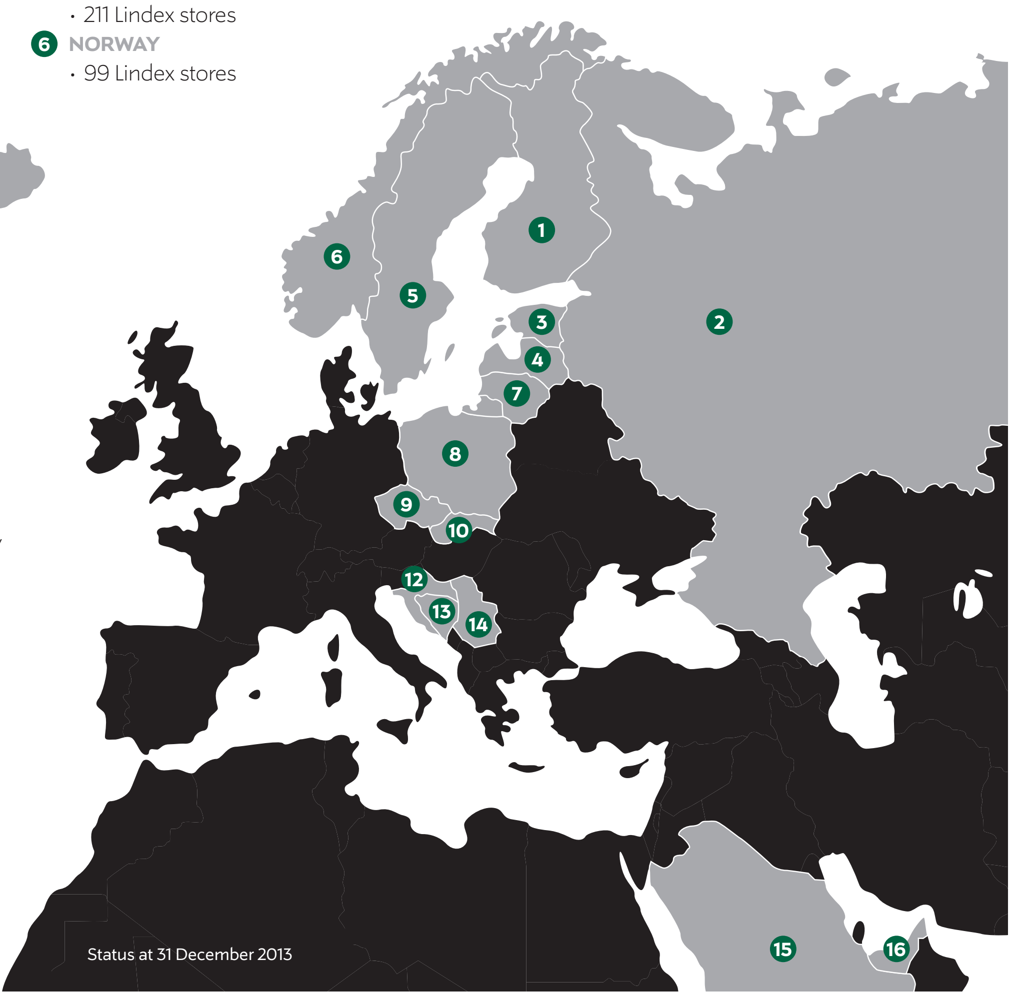
12 CROATIA
- 2 Lindex franchising stores

13 BOSNIA AND HERZEGOVINA
- 4 Lindex franchising stores

14 SERBIA
- 3 Lindex franchising stores

15 SAUDI ARABIA
- 20 Lindex franchising stores

16 UNITED ARAB EMIRATES
- 4 Lindex franchising stores



ONLINE STORES

STOCKMANN.COM
AKATEEMINEN.COM
HOBBYHALL.FI
SEPPALA.FI
- Finland

LINDEX.COM
- EU countries and Norway

PURCHASING OFFICES

- Bangladesh, India, China, Pakistan and Turkey

AN EVENTFUL
YEAR

During 2013, Stockmann celebrated the opening of its new Itis department store and the key anniversaries of two department stores and the Academic Bookstore. Lindex signed a major franchising agreement, and the fashion chains' campaigns were fronted by international celebrities.

TALLINN DEPARTMENT STORE

20

YEARS

Actress **Penélope Cruz** starred in the advertising campaign for Lindex's spring and summer fashion collections. The campaign was made up of three parts: *Party Perfect*, *My Favourites* and *Summer Fiesta*.

STOCKMANN'S BOARD OF DIRECTORS set *new medium-term financial targets* for the Group. By the end of 2016, Stockmann aims to achieve **a return on capital employed of 10 per cent, an operating profit margin of 7 per cent, an equity ratio of 40 per cent** and sales growth that exceeds the industry average.

New top brands were added to the **DEPARTMENT STORE SELECTIONS**. *Bobbi Brown* and *Kiehl's* cosmetics products were among the new brands and concepts.

STOCKMANN SIGNED *the Accord on Fire and Building Safety in Bangladesh*. The goal of the agreement is to improve the occupational safety of textile industry workers. The agreement is part of Stockmann's long-term work to ensure the responsibility of the supply chain.

THE RENEWAL of the Department Store Division's enterprise resource planning (ERP) systems proceeded as planned. The changes were implemented successfully in the spring in the Baltic countries and in the summer in Russia. In Finland the renewal will be implemented mainly in spring 2014.

120

THE ACADEMIC BOOKSTORE 120 YEARS
The bookstore's flagship store in the centre of Helsinki was remodelled in honour of its anniversary year. In November the international **Starbucks** chain opened a café in the iconic building.

THE SEPPÄLÄ BRAND was revamped and **Coco Rocha**, a Canadian top model with plenty of attitude, was the face of the autumn fashion campaign. Seppälä's *first new-concept store* was opened in the Forum shopping centre in Helsinki.

LINDEX *signed a franchising agreement to expand its operations into China*. The goal is to open

100

stores by 2018.

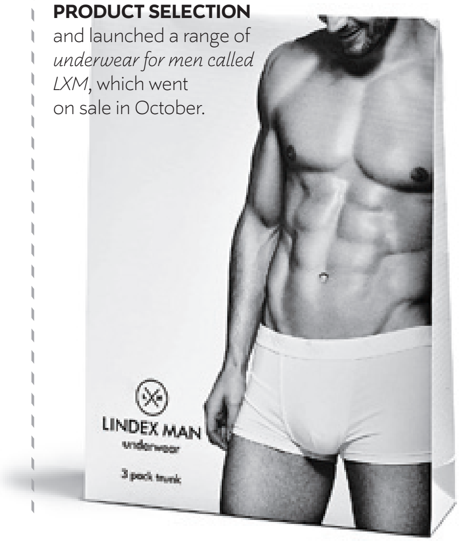
The brand-new **STOCKMANN ITIS** department store opened its doors at the *Itis shopping centre* in Helsinki in November. Stockmann celebrated the grand opening with its customers.

RIGA DEPARTMENT STORE

10

YEARS

LINDEX EXTENDED ITS PRODUCT SELECTION and launched a range of *underwear for men called LXM*, which went on sale in October.



Lindex continued its battle against breast cancer with a collection designed by British fashion designer **Matthew Williamson**. The collection was launched in October.

10%

of the sales proceeds were donated to cancer funds.

TOWARDS NEW GROWTH AFTER A CHALLENGING YEAR

The retail sector is undergoing a radical change in Finland. Economic growth has stagnated, consumers have less purchasing power and e-commerce is rewriting the rules for trading. In 2013, these trends created challenges for Stockmann's operations in its main market, Finland, where our department stores have been able to provide a solid foundation for profitable growth from year to year. The period from late summer until Christmas was particularly disappointing for Stockmann. The successful Crazy Days campaigns and the Stockmann online store, which achieved good growth in Finland, were unable to compensate for the disappointing period. We must focus on combining the brick and mortar department stores and the online store into a functioning omnichannel package to create new growth in our department store operations.

STOCKMANN HAS *every chance of achieving* success in the changing retail sector

LINDEX IS

EXPANDING AND THRIVING

Lindex, which continued to perform very well, provided a ray of light during the year. The fashion chain increased its sales in all of its markets except Finland and 20 stores were added to its store network during the year. Profitability improved in the main markets in Sweden and Norway, and in the newer markets. Lindex has worked hard to create a respected brand, and a store concept, which customers and partners find attractive. The company signed an agreement to launch franchising cooperation in China in autumn 2014 and is aiming for expansion in increasingly international fashion markets.

It was a year of major changes for the Group's other fashion chain, Seppälä. The chain underwent a brand renewal, in which its marketing, store concept and collections were given a new look. The number of stores in its network was reduced in Russia and Finland. Operating processes and information systems were updated following Lindex's example. However, the changes did not yet have an impact on the financial result, which clearly weakened. The aim is to get the turnaround happen in 2014 and after that, turn Seppälä's result profitable again.

NEVSKY CENTRE OFFSETS

CHALLENGES IN RUSSIA

The considerable weakening of the Russian rouble that started in the summer created new challenges for business, with our department stores suffering the most. The exchange rate trend of the rouble weakened Stockmann's euro-denominated revenue and operating profit.

The Nevsky Centre shopping centre in St Petersburg provides a stable foundation for Stockmann in Russia's uncertain market conditions. After a commercial evaluation in spring 2013, the Board of Directors decided to continue using the current operation model for the time being. The Nevsky Centre has continued to perform well: customer numbers and sales have increased, and many attractive new brands have opened stores in the shopping centre. The Stockmann department store in St Petersburg has established its role as our flagship store in Russia.

As a whole, Stockmann's revenue in 2013 fell by 2.3 per cent, if the terminated franchising operations are excluded. After a weak start to the year, we launched an extensive cost savings programme which helped to significantly reduce operating costs already during the second half of the year. Despite this, the operating profit fell short of the target and declined to EUR 54.4 million. Earnings per share decreased less than operating profit as a result of a significant tax refund received by Lindex. The Board of Directors proposes that a dividend of EUR 0.40 per share be paid, which is 59.5 per cent of the earnings per share.

Stockmann refinanced its long-term credit facilities at the end of 2013. The company's financing has now been secured, even in tough times, until 2019 with several bilateral loan agreements.

STRUCTURAL CHANGES

BOOST EFFICIENCY

Stockmann has every chance of achieving success in the changing retail sector, but tough measures will also be required to turn loss into profit. We will continue to implement the cost savings programme, which was launched in spring 2013, and we will focus in particular on structural changes, which we hope will boost our operations over the long term. In 2014, for example, a reform of the Department Store Division's operating model in logistics will be initiated. Personnel reductions will be required in order to reduce costs, and this will affect the lives of many of our employees. However, these changes are vital for ensuring competitive operations in the future. Our target is to offer our customers an even smoother omnichannel service.

A simplified structure, new information systems and even more efficient use of capital will all support our goal to strengthen profitability. We must also set our sights on creating growth. Stockmann has been focusing on its online store business for many years, but omnichannel retail still offers many opportunities that have not yet been explored. Our department stores have a large number of loyal customers, and many of these are yet to discover the possibilities of our online store. Lindex's successful concept has the potential to grow in its current and new markets. The general economic trend in Russia has an important impact on Stockmann's business and profitability in Russia.

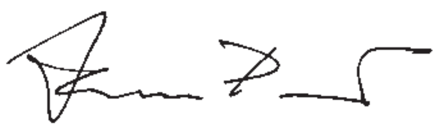
The retail market is not anticipated to grow significantly during 2014. The situation is challenging, but Stockmann forecasts that the Group's operating profit will be somewhat higher than in 2013. In order to achieve this target, the strategic projects must be successful and sales must be increased even in this uncertain operating environment.

THANKS TO OUR

STAKEHOLDERS

2013 was a challenging year, especially for our employees, who, in spite of the challenging market situation, were committed to their tasks – I would like to thank you warmly for your good, customer-focused work. I would also like to thank our loyal customers, our shareholders and our partners. We will do our utmost to be worthy of your trust also in 2014.

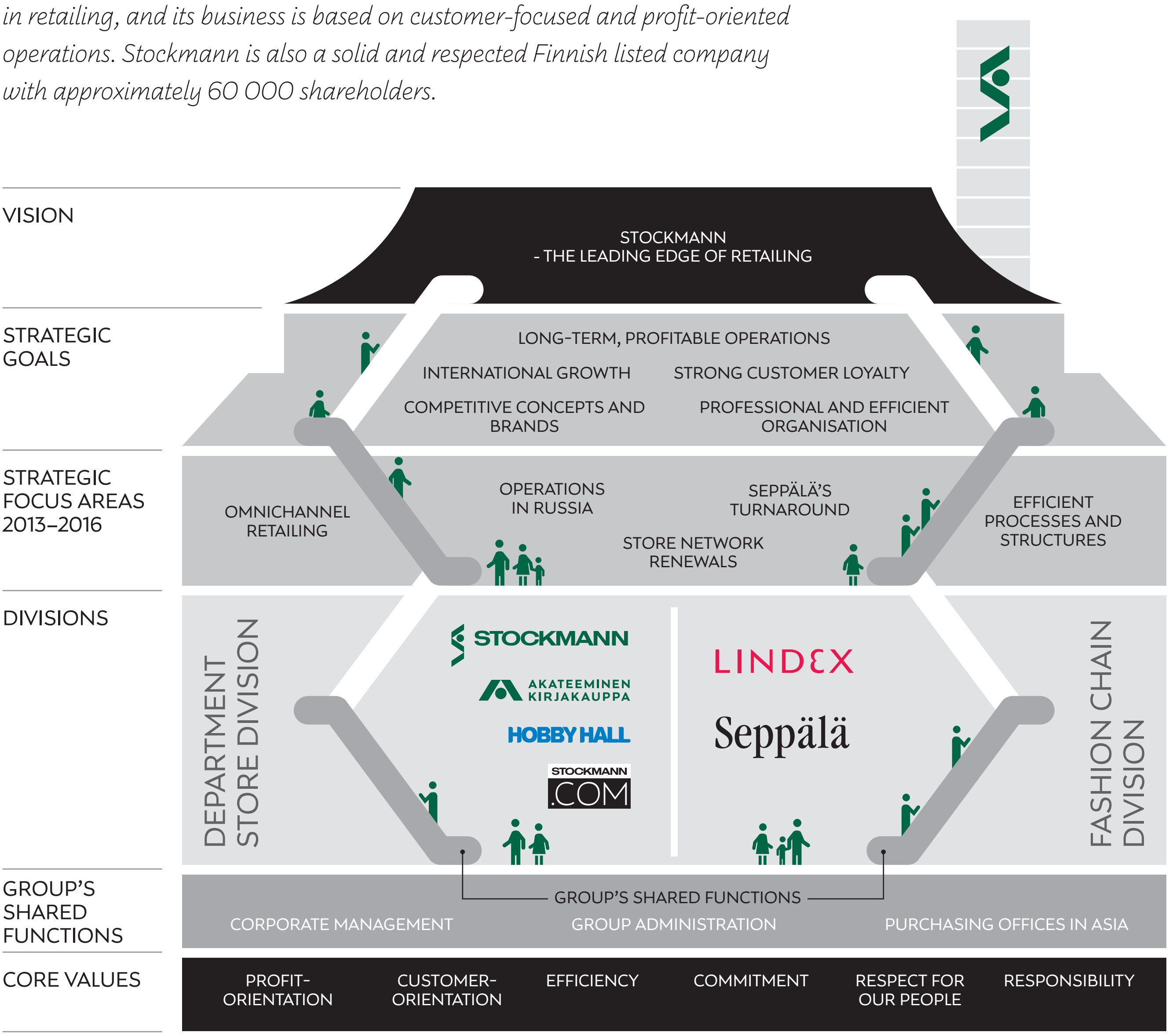
Helsinki, 18 February 2014



Hannu Penttilä
CEO

INTERNATIONAL RETAIL **EXCELLENCE**

Stockmann has a firm position in international department store and fashion retailing. Throughout its history, the company has been regarded as a leader in retailing, and its business is based on customer-focused and profit-oriented operations. Stockmann is also a solid and respected Finnish listed company with approximately 60 000 shareholders.



Essential development trends in Stockmann's operating environment are described also on pages 10–11.

GLOBAL TRENDS AFFECTING RETAIL TRADE

OMNICHANNEL CUSTOMER EXPERIENCES	MOBILE AND ONLINE SHOPPING	NEW PAYMENT METHODS	THE SAVVIER SHOPPER	BUSY LIFESTYLES AND AGING POPULATION

Strong customer loyalty and profitable growth are at the heart of Stockmann's strategy. Strong retail concepts and brands that are valued by customers, attractive loyal customer schemes and excellent customer service will form the basis of successful operations also in the future. A professional and efficient organisation has a key role in the realisation of the company's strategic goals.

During the 2013–2016 strategy period, the Group's business will focus on international operations and in particular the business in Russia, the development of omnichannel retailing, the renewal of the store network, Seppälä's turnaround to restoring profitability, and efficient structures and processes that support operations. Many of the measures to promote the selected focus areas are ongoing and they are progressing according to plan. The success of the projects is of utmost importance and will secure the Group's long-term profitable operations.

FOCUS ON RUSSIA AND OMNICHANNEL RETAILING

The international dimension is a key factor in the success of Stockmann's operations. The company currently has department stores and fashion stores in 16 countries and operations in 21 countries. As a consequence of the economic uncertainty in Finland, the international operations and their expansion have an even more decisive role to play in Stockmann's profitable growth.

Stockmann has directed a considerable amount of capital expenditure into Russia. Operations in Russia will continue to play a key role in the strategy in the coming years, even though the level of capital expenditure is more modest in the current strategy period. Russia's slowing economic growth causes further uncertainty for the financial performance.

The strategic goal of the Fashion Chain Division is successful expansion on international markets. In the autumn Lindex signed a major franchising agreement, which will help the chain expand into China in 2014. Lindex's goal is to be a truly global fashion brand, so the opening of stores in other, new markets will be investigated during the strategy period. Seppälä will concentrate on the renewal of its brand and improvement of profitability.

During recent years, in addition to its business in Russia, Stockmann has also been allocating significant resources to the online business and its development. Stockmann's goal is to achieve operations that are clearly based on omnichannel retailing, which means that the traditional department stores and other stores have a well-established position alongside the growing online business. Stockmann wants to offer its customers an omnichannel service in which all its business channels are seamlessly integrated into the customer experience. The Group has five online stores in Finland: Stockmann, Hobby Hall, the Academic Bookstore, Lindex and Seppälä. In addition, Lindex online store operates extensively in Europe. In the future, online stores will broaden their product selections and increase their market areas.

STOCKMANN'S GOAL *is to achieve omnichannel retailing operations, where traditional department stores and other stores have a well-established position alongside* the growing online business

In order to implement its customer promise, which is based on excellent customer service, Stockmann needs modern and efficient systems, processes and support functions. During the year, enterprise resource planning systems were renewed in both divisions with the aim of increasing efficiency and the flexibility of operations throughout the chain.

RENEWAL OF STORES AND CONCEPTS

Stockmann is constantly investing in the attractiveness of its shopping environments and concepts in order to keep its department stores and other stores competitive and at the cutting edge of the retail sector. Stockmann's department store renewals are focused in Finland; the Tampere and Tapiola department stores will gain more retail space in the construction projects for these stores, which are due for completion in 2014 and by estimate 2016, respectively. One major renewal was completed in November 2013 when the Stockmann department store in Itäkeskus moved into completely new premises in the Itis shopping centre in Helsinki. During the current strategy period, the Helsinki flagship department store's commercial premises will be developed in particular. New, international top brands will be introduced to the selections in a shopping environment that is worthy of these brands. The ladies' shoe department will be the first department to undergo renewal during 2014.

In the Fashion Chain Division the Seppälä brand is being comprehensively developed, and this includes marketing, product selection and the store concept. The size of the Seppälä store network will be assessed more closely in the future: the aim is to close over 20 stores in Russia in 2014. These measures are of vital importance to restore Seppälä's profitability during the current strategy period. In Lindex's store renewals in 2014 the lingerie concept will be developed in particular. The store network will also continue to be extended gradually.

LONG-TERM, PROFITABLE GROWTH

The Group's revenue and earnings fell short of the targets set in 2013, particularly in Finland as the general market trend in retail was exceptionally weak and in Russia due to the weakened rouble. As a consequence of the uncertain outlook, Stockmann launched a cost savings programme in spring 2013. The programme made significant savings in 2013 and will be used to boost the cost structure over the long term.

Due to the altered economic situation, the Board of Directors set new medium-term financial targets for the Stockmann Group in summer 2013, and the aim is to achieve these targets by 2016. Profitable growth will remain Stockmann's most important target.

STRATEGIC GOALS AND MEASURES

GOALS	FOCUS AREAS
• Long-term, profitable operations • International growth • Strong customer loyalty • Competitive concepts and brands • Professional and efficient organisation	• Omnichannel retailing • Operations in Russia • Store network renewals • Seppälä's turnaround • Efficient processes and structures

MEASURES IMPLEMENTED IN 2013 AND CURRENTLY IN PROGRESS

STOCKMANN GROUP

The Group's medium-term financial targets announced in summer 2013.

Total capital expenditure will remain moderate over the period 2014–2015.

Decision to retain ownership of Nevsky Centre shopping centre for the time being made in summer 2013.

Cost savings programme for 2013–2014 launched in different parts of the organisation. Savings of over EUR 10 million were made in 2013 and additional savings of about EUR 7 million will be made by summer 2014 with temporary layoffs. Structural changes will also be used to boost operations over the long term.

DEPARTMENT STORE DIVISION

Fixed costs declined over EUR 30 million in the Department Store Division in 2013. In the autumn, planning started for structural changes, which will be implemented in stages. The new marketing and real estate management organisations were taken into use from 1 January 2014. A project to enhance logistics in Finland and the Baltic countries has been initiated.

Online stores will be strengthened and expanded into new product areas, markets and channels. For example, some cosmetics products in the autumn 2013 Crazy Days campaign were on sale in the online store. Renewed akateeminen.com online store launched in the summer.

New enterprise resource planning system implemented in the Baltic countries and Russia, and in the Academic Bookstore in Finland. The system will be introduced to the other units in Finland during 2014.

Stockmann Itis department store moved into completely new premises in November 2013.

Project to extend the Tampere department store progressed. Extension will be completed towards end of 2014.

Planning of the Tapiola department store renovation continued. Objective is to open the new department store in 2016, but the exact timetable is dependent on the planning and constuction work for the whole Tapiola area.

Renewal of the Academic Bookstore's flagship store in Helsinki city centre is in progress. The ground floor store environment was renewed during 2013 and the store's upper floors will be given a new look during 2014.

Zara franchising operations in Finland were terminated in March 2013.

Outlet stores in Finland and in Estonia, one Stockmann Beauty cosmetics store in Finland as well as the concept store in St Petersburg, Russia were closed down.

FASHION CHAIN DIVISION

LINDEX

Seppälä

Fashion Chain Division, which was set up in 2012, is focusing on seeking synergies and increasing cost-efficiency in the chains.

Lindex signed an agreement with a new franchising partner in autumn 2013. New agreement will help Lindex expand to the new market area in China in September 2014.

During the year Lindex opened 20 new stores and closed 10 stores. Seppälä opened one new store and closed 12 stores. In 2014, the aim is to close over 20 Seppälä stores in Russia.

The renewal of Seppälä's brand continued. Renewal covers the chain's marketing, collections and store concept.

Lindex's flagship store opened on Sergelgatan street in Stockholm. Seppälä's flagship store in the Forum shopping centre in Helsinki was renewed according to the new store concept.

During the year, Seppälä's ERP and financial systems were renewed to correspond with Lindex's systems, and operating processes were also developed.

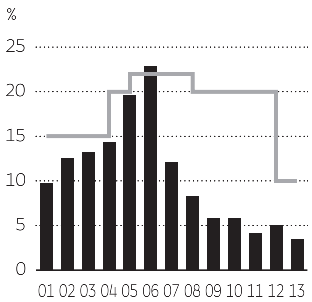
FINANCIAL TARGETS 2016

The Board of Directors set during summer 2013 new medium-term financial targets for the Stockmann Group and the aim is to reach the targets by the end of 2016.

RETURN ON CAPITAL EMPLOYED	OPERATING PROFIT	EQUITY RATIO	SALES GROWTH
minimum 10%	minimum 7% of revenue	minimum 40%	Above the industry average

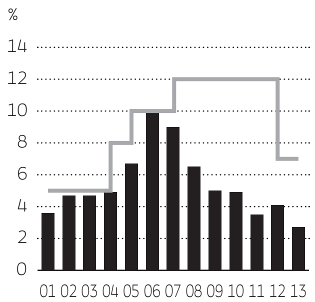
REALISATION OF THE FINANCIAL TARGETS 2001–2013

RETURN ON CAPITAL EMPLOYED
2001–2013



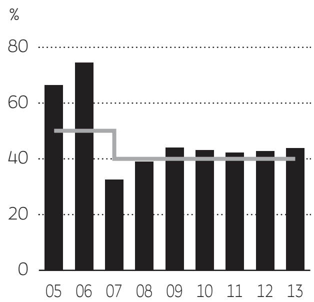
■ Actual
– Target

OPERATING PROFIT, % OF REVENUE
2001–2013



■ Actual
– Target

EQUITY RATIO
2005–2013



■ Actual
– Target

STOCKMANN IN A CHANGING WORLD – ALL CHANNELS INTO USE

The retail sector is undergoing a radical change. The challenging economic situation, the changing preferences and behaviour of consumers, and new technology solutions all create pressure to adapt the way we operate. The importance of good customer service and ease of shopping is highlighted in all channels. On these pages, Stockmann's value chain and the major development trends in the operating environment are described.

RESPONSIBLE CONSUMPTION IS BECOMING MORE IMPORTANT

Customers are thinking more and more about the origin of products and the effects of supply chains on the environment and society. Consumer interest in organic products and products manufactured from responsible materials has been increasing over several years.

In order to ensure good working conditions at their goods suppliers' production plants, a group of European companies set up the Business Social Compliance Initiative (BSCI) in 2003 to develop and audit the production plants.

Members in the BSCI about

1300

A GROWING MIDDLE CLASS AND NEW MARKETS CREATE GROWTH OPPORTUNITIES

The growth potential offered by the Russian market has attracted international retail businesses. Russia is expected to become the largest consumer market in Europe within a few years. The fast-growing consumer markets in China also offer promising prospects for the international fashion business.

By 2015, the Russian middle class is expected to make up 40 per cent of the population, i.e. approximately 57 million people.*

* CEMEEA business group 2013.

BUYING AND PLANNING

OF ITS OWN FASHION BRAND PRODUCTS, THE STOCKMANN GROUP ACQUIRES THROUGH ITS PURCHASING OFFICES ABOUT **80%**

- Stockmann has been a member in the BSCI since 2005 and the United Nations Global Compact since 2011.
- An effective buyer-planner operating model is in use in the buying and planning organisations.
- 6 own purchasing offices in Asia, which supervise the origin of products and local working conditions.
- 15 fashion designers at Stockmann, 35 at Lindex and 18 at Seppälä are responsible for the design of own fashion brand products.

LOGISTICS

1.7 MILLION PRODUCT TITLES FROM INTERNATIONAL BRANDS AND THE GROUP'S OWN SUPPLIERS

- International expansion is an important part of Stockmann's profitable growth strategy.
- The large operating area requires well-functioning and effective logistics chains.
- The modern logistics centre in Moscow serves all the department stores in Russia and increases the efficiency of goods flows.
- A new logistics centre is being planned for the department stores in Finland and the Baltic countries, which will serve the omnichannel retail from 2016 onwards.
- Lindex has a logistic centre in Partille in Sweden and an outsourced centre in the Czech Republic.

In 2013 online purchases by Finns grew

9%*

* The growth in revenue in online shopping of goods 1–6 2013, TNS Gallup 2013.

TECHNOLOGY IS ADAPTING PURCHASING BEHAVIOUR AND THE COMPETITIVE ENVIRONMENT

The continuously increasing use of information technology is significantly changing consumer behaviour and habits. The rapid growth of online business has an impact on the sector's competitive environment and the retail structure is under pressure to change.

CUSTOMER ORIENTATION IS EMPHASISED

Customer needs are becoming more specialised as the online business grows and social media use becomes more widespread. This emphasises the significance of more customer-oriented procedures as a competitive tool in retail. The development of the sector is increasingly being steered by consumer needs and the strengthening of customer loyalty.

Consumers' confidence in the economy was stronger in January 2014 than a year ago but still lower than the long-term average.*

* Consumer confidence indicator, January 2014, Statistics Finland.

STORES AND ONLINE STORES

ORDERS VIA THE STOCKMANN GROUP'S ONLINE STORES IN 2013 IN TOTAL OVER

900 000

- The Group has 16 department stores, approximately 700 stores and 5 online stores.
- Considerable work has been devoted to developing the online business in recent years.
- New service concepts are being developed for all channels: the operations of department stores, stores and online stores will be combined into one. Omnichannel retail means that customers are not dependent on a time, place or channel.
- The online stores have over 200 000 product titles.*
- The department stores and fashion stores have over 1.7 million product titles.
- There were over 104 million purchase events in the stores in 2013.

* In addition, millions of books available in the Academic Bookstore's order selection.

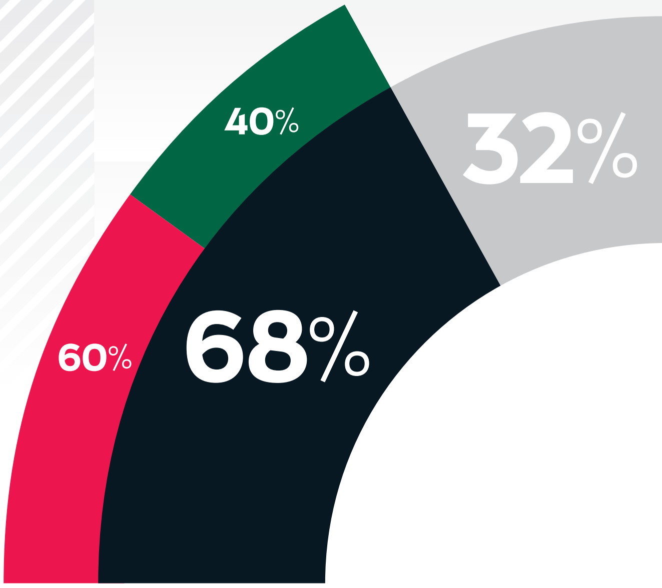
CUSTOMERS

72% OF SALES AT STOCKMANN DEPARTMENT STORES ARE MADE UP BY LOYAL CUSTOMERS

- Stockmann's operations are based on service that exceeds customers' expectations.
- The divisions have 4 loyal customer programmes and over 8.7 million loyal customers in total.
- By combining the different channels, customers can take advantage of their best aspects: stores offer shopping experiences and service while online stores offer broader product selections as well as recommendations and product evaluations by other consumers.
- Many of the about 60 000 shareholders are also loyal customers. Stockmann has offered loyal customer share option schemes since 1999.

LEADER IN FASHION

In 2013, fashion and cosmetics sales made up 68 per cent of the Group's entire revenue. 40 per cent of fashion sales were made at Stockmann department stores and its online store, and 60 per cent at Lindex and Seppälä stores and their online stores.



Department Store Division

LEADER OF DEPARTMENT STORE BUSINESS

STOCKMANN

AKATEEMINEN KIRJAKAUPPA

HOBBY HALL

STOCKMANN .COM

The diverse Department Store Division offers customers shopping experiences which exceeds their expectations. Professional customer service, uniquely extensive and high-quality product ranges, and an inspiring, international shopping environment are part of each shopping experience. With the help of its growing and developing online business, Stockmann is also aiming to be a leader in omnichannel retailing in the future.

The year 2013 was challenging for the retail sector, particularly in Finland, where the performance of Stockmann's Department Store Division followed the general market trend. A weakened rouble clearly reduced the department stores' euro-denominated revenue. As a whole, the revenue fell by 3.1 per cent , if the terminated franchising operations are excluded, and was EUR 1 232.6 million. During the year, the continuing success of the Crazy Days campaign, the new Stockmann Itis department store, which opened in November, positive performance of the Nevsky Centre shopping centre and department store and, above all, the strong growth of Stockmann's online store in Finland were especially gratifying.

The Department Store Division has been focusing on simplifying and intensifying its operations. Franchising operations were discontinued in Russia in 2012 and the Zara franchising stores in Finland were sold at the beginning of 2013. The cost savings programme that was launched in the spring and temporary layoffs helped to make savings of approximately EUR 15 million in 2013. In spite of the cost reductions, the Department Store Division's operating profit declined and was EUR 26.0 million.

CHALLENGING MARKET CONDITIONS

Excluding franchising, the Department Store Division's revenue in Finland declined 3.3 per cent to EUR 833.5 million. The uncertain market situation had an adverse effect on the performance of all the department stores and Hobby Hall. The department stores in Itis, Tampere and Tapiola also suffered as a result of the construction work. However, the Stockmann online store considerably increased its revenue and brought the department stores within the reach of customers all over Finland. The goal is omnichannel retailing, in which Stockmann's brick and mortar business functions together seamlessly with the online business. Several IT development projects and the restructuring programme that was launched during the year all aim to achieve this goal. Operating profit declined noticeably in Finland in spite of the major cost saving measures.

In the Baltic countries, the market remained relatively stable throughout 2013. Latvia adopted the euro at the beginning of 2014. The revenue of Stockmann's department stores remained at the same level as

the previous year and was EUR 96.5 million. Operating profit also remained unchanged.

In Russia the rouble weakened considerably as of summer 2013 and as a consequence, the purchasing power of Russian consumers decreased. Excluding franchising, euro-denominated revenue declined 2.9 per cent and was EUR 302.6 million. Rouble-denominated revenue increased. The weakened rouble was partly hedged with price increases and close attention was paid to stock control in order to maintain the gross margin. Operating profit also suffered as a result of the weakened rouble. The best-performing department store was the St Petersburg unit, which operates in the Nevsky Centre shopping centre. In three years of operation, it has become Stockmann's second largest department store in terms of sales.

The commercial value of the Nevsky Centre property was evaluated during spring 2013. Based on the evaluation, Stockmann made a strategic decision to retain ownership of the shopping centre for the time being. During the year the Nevsky Centre's tenant mix was extensively improved and new, attractive brands were welcomed to the centre. Visitor numbers, the car park utilisation rate and tenants' revenues have continued to perform well, and as a result, the shopping centre's profitability has improved further. The rental income is principally tied to the euro, which balances out exchange rate fluctuations.

SHOPPING EXPERIENCE THAT EXCEEDS EXPECTATIONS

In the tougher competition, the factors that ensure the success of Stockmann's department stores, such as excellent customer service and a broad and high-quality product selection, are even more important. The most successful merchandise areas in 2013 were accessories, cosmetics and food. The electronics business faced the biggest challenges and this is particularly noticeable in Hobby Hall's operations. The Stockmann online store selection was extended significantly and almost 50 000 product titles are now available online.

During the year, the focus of marketing was shifted from printed materials to digital channels. Campaigns were targeted above all at the 3.3 million loyal customers. During the year, new loyal customer benefits were introduced, such as a the Stockmann MasterCard payment method discount. In spite of the major campaigns that were carried out and the weakening of the rouble exchange rate, the gross margin remained at a reasonable level and was 40.1 per cent.

NEW, INSPIRING SHOPPING ENVIRONMENTS

Omnichannel retail creates new targets for the development of attractive shopping environments and the efficiency of the retail space. There are several renewal projects in progress at department stores in Finland, and the first of these to be completed was the new Itis department store in November. The extension of the Tampere department store was continued during the year and will be completed towards the end of 2014. The project to renew the Tapiola department store is at the planning stage.

The Academic Bookstore celebrated its 120th anniversary and the ground floor of the book store in the Book building, was given a

16 **DEPARTMENT STORES**, 3 online stores and 13 other stores on 31 December 2013. Average number of personnel was 8 469 in 2013 (2012: 9 154).

4 **COUNTRIES**
Department stores in Finland, Russia, Estonia and Latvia. In Finland, the Department Store Division also includes the online stores of Stockmann and the Academic Bookstore, the Stockmann Beauty cosmetics stores and Hobby Hall.

PRODUCT SELECTIONS
Fashion, cosmetics, food, sport and leisure, homeware, electronics, books and stationery.

DEPARTMENT STORE DIVISION'S REVENUE BY MARKET 2013

- 68% Finland
- 24% Russia
- 8% Baltic countries

DEPARTMENT STORE DIVISION'S REVENUE BY MERCHANDISE AREA 2013

- 46% Fashion and cosmetics
- 25% Food
- 13% Leisure
- 12% Home
- 4% Books, publications, stationery

new look in honour of the anniversary year. The renovations were designed to suit the atmosphere of Alvar Aalto's original design and based on the customers' wishes. The Academic Bookstore's goal is also omnichannel operations, and this is evident at the renewed store with its instore digital kiosks and tablet computers for customer use. Helsinki's first Starbucks café was opened on the ground floor of the book store. The interior of the hugely popular café is unique and was designed to suit the look of the Book building. The renovation work will continue on the upper floors of the store during 2014.

MORE EFFICIENT OPERATIONS

The planning for the restructuring of the entire Department Store Division was started in autumn 2013. The goal is to enable profitable, omnichannel operations and boost the cost structure to correspond with the changing operating environment of the retail sector.

The restructuring of the marketing organisation was launched at the end of 2013, and the target of the implemented changes is to achieve annual savings of EUR 4 million and a new media visibility that is clearly digital. The real estate organisation was centralised at the beginning of 2014. In logistics the aim is to combine the warehouses in Finland and the Baltic countries to a highly automated distribution centre.

The new enterprise resource planning system, which was successfully implemented in the Baltic countries and Russia and the Academic Bookstore in 2013, will support the changing structure of the company. The system will be fully implemented during 2014. In addition to this system project, Stockmann will continue to focus on its online store and the development of omnichannel retailing.

THE MOST SUCCESSFUL *merchandise areas in 2013 were accessories, cosmetics, and food.*

MORE AND MORE POPULAR STOCKMANN.COM

THE STOCKMANN.COM ONLINE STORE, which was launched in Finland in 2010, is the Department Store Division's fastest growing part. During 2013, the number of visitors to the online store grew significantly, with the highest visitor number during the Crazy Days campaign.

4.8
million unique visitors

THE ONLINE STORE COMPLETES the offering and services of Stockmann's department stores. The online store is continuously being developed, for example with expansion into new product areas and brands. Online purchases grew considerably during 2013.

95%
revenue growth

STOCKMANN BELIEVES IN OMNICHANNEL RETAILING, where the traditional department stores occupy a strong position alongside the growing online stores. The department stores' loyal customers also regularly purchase items from the online stores.

82%
loyal customer purchases online

REVENUE EUR mill.
1 232.6
▼ 1 302.7 (2012)

OPERATING PROFIT EUR mill.
26.0
▼ 48.0 (2012)

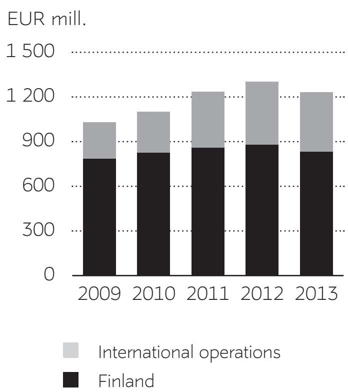
OPERATING PROFIT %
2.1
▼ 3.7 (2012)

INVESTMENTS EUR mill.
26.9
▼ 30.4 (2012)

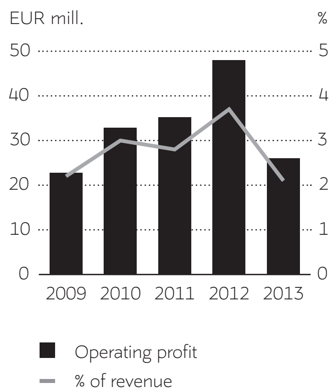
GROSS MARGIN %
40.1
▼ 41.9 (2012)

RETURN ON CAPITAL EMPLOYED %
3.8
▼ 7.3 (2012)

DEPARTMENT STORE DIVISION'S REVENUE 2009–2013

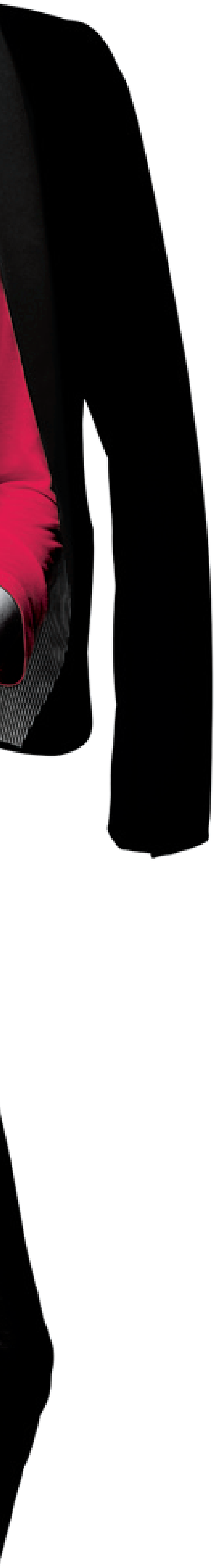


DEPARTMENT STORE DIVISION'S OPERATING PROFIT 2009–2013



Fashion Chain Division

INTER-NATIONAL SUCCESS



LINDEX
Seppälä

The Lindex and Seppälä fashion chains offer inspiring, international and affordably priced fashion for a wide range of customers in their stores and online stores. Lindex has fashion stores in 16 countries and Seppälä in 5 countries. The product selections in the approximately 700 stores include women's and children's wear, lingerie, accessories and cosmetics. The selections also cover menswear, which was introduced into Lindex's product selection in autumn 2013.

Lindex and Seppälä have made up the common Fashion Chain Division since 2012. The Fashion Chain Division's revenue in 2013 was EUR 805.2 million, i.e. 1.1 per cent lower than the previous year. It was a good year for Lindex and its revenue increased to EUR 688.0 million. Revenue grew in all markets apart from Finland: 2.5 per cent in euros and 3.5 per cent in local currencies. Seppälä's revenue was down by 18.1 per cent from the previous year and was EUR 117.3 million.

The common division has introduced new working practices to both fashion chains and synergy benefits have been sought in support functions, in particular. In autumn 2013, Seppälä started using the same ERP and financial systems as Lindex. The operating models used in purchasing and other parts of the supply chain were also improved at the same time. The goals of ongoing development projects are to deepen cooperation, intensify operations and improve the profitability of especially Seppälä.

In 2013 the Fashion Chain Division's operating profit decreased to EUR 38.6 million although Lindex's good performance continued. Lindex increased its operating profit to EUR 52.9 million while Seppälä's result was clearly loss-making and was EUR –14.4 million. The gross margin remained near the previous year's level in both chains and was 61.7 per cent. Lindex's gross margin increased, and Seppälä's declined.

LINDEX'S SUCCESSFUL CONCEPT

Lindex once again received the prestigious award for "Fashion chain of the year" at the Habit Fashion Gala in Stockholm. Lindex was praised especially for its clear concept that is directed at a wide range of customers, which has been successful in Sweden and other countries. A flagship store with a modern Nordic design, representing the newest store concept, was opened in the centre of Stockholm on Sergelgatan street in August.

In 2013 Lindex focused specifically on the development of women's wear collections and inspiring campaigns, and these measures produced good results. The sale of

women's wear increased the most out of the product groups during the year. Sales of children's wear also continued to do well. Next, the focus will shift to lingerie; the display in stores and sales assistants' customer service skills and the development of their product expertise in lingerie will be dealt with in 2014.

Lindex has also continued its cooperation with popular international fashion designers, an example of which is the Lindex Matthew Williamson collection, which was launched in the autumn. EUR 1.2 million of the proceeds of this designer range was donated to the fight against breast cancer.

Lindex continuously develops its collections to better meet the needs of its customers. Therefore, Lindex launched its first underwear collection for men, called LXM, in October. The collection is on sale in the online store and it is popular with customers. In 2014 Lindex will extend its collection for men to cover a broader selection of classic basic clothing.

SEPPÄLÄ'S TURNAROUND

A comprehensive brand renewal was carried out at Seppälä during the year; the renewal included the marketing strategy, product selection and store concept. At the start of the project, Seppälä's core target group was redefined, and is now more focused on women aged 25–35. Its marketing campaigns had a more international feel in 2013 as the campaign figureheads included British singer Sophie Ellis-Bextor and Canadian top model Coco Rocha. Seppälä's flagship store in the Forum shopping centre in Helsinki launched the new Urban Street concept in the autumn.

In 2014 the goal is to utilise the new concept especially in the store marketing. Another focus area is to increase the attractiveness of the collections so that the price/quality ratio of the products meets customer expectations. The Group's purchasing offices will be made use of even more in order to ensure delivery reliability and quality. The goal is to concentrate on developing women's wear as sales declined the most in this product group during 2013.

The aim of Seppälä's renewals is to attract more visitors to the stores and thereby increase sales, which is essential for improving profitability. Reducing the size of the store network is another key project aimed at making Seppälä's operations profitable again. In 2013 the store network was reduced by 11 stores. The main part of the closed stores were located in Russia. Eveliina Melentjeff, who became the new CEO of Seppälä on 1 December 2013, is leading the turnaround project.

THE COLLECTIONS ARE *constantly developed to better meet the needs of customers. In 2014 Lindex focuses particularly on lingerie and Seppälä on women's wear.*

688 **STORES**

479 Lindex stores, 209 Seppälä stores and 2 online stores on 31 December 2013. Average number of personnel was: Lindex 4 985 and Seppälä 1 372, total 6 357 in 2013 (2012: 6 317).

16 **COUNTRIES**

- Lindex and Seppälä stores: Finland, Russia, Estonia, Latvia and Lithuania
- Lindex stores: Sweden, Norway, the Czech Republic, Slovakia and Poland
- Lindex's franchising stores: Saudi-Arabia, the United Arab Emirates, Iceland, Bosnia and Herzegovina, Serbia and Croatia.

PRODUCT SELECTIONS

Women's wear, children's wear, menswear, lingerie, cosmetics and accessories.

FASHION CHAIN DIVISION'S REVENUE BY MARKET 2013

- 68% Sweden and Norway
- 19% Finland
- 8% Baltic countries and Central Europe
- 5% Russia

FASHION CHAIN DIVISION'S REVENUE BY MERCHANDISE AREA 2013

- 61% Ladies' fashion
- 31% Children's fashion
- 2% Men's fashion
- 6% Cosmetics

NEW OPENINGS DURING THE

ANNIVERSARY YEAR 2014

International expansion and franchising hold a key position in Lindex's strategy. Lindex is seeking growth through the stores in its main markets and through franchising cooperation whereby stores are opened in new markets. In 2013 the number of stores increased by ten, of which five were Lindex's own stores and five franchising stores. A franchising agreement with Chinese company Suning will further increase the rate of the fashion chain's international expansion.

Seppälä will continue to renew its brand and concentrate on improving the profitability of its operations. The store network in Russia will be reduced considerably: the plan is to close down over 20 stores in Russia in 2014.

This year Lindex will be 60 years old and the fashion chain will be publicising this in an impressive way, especially in the autumn, with high-profile campaigns and the opening of its first store in China. The goal is to make Lindex into a truly global, world-class brand. For this reason Lindex is surveying the potential to expand into other new markets, for example by opening stores in Europe's largest metropolises of fashion. Online shopping will also be focused on – the lindex.com online store already operates in 28 European countries.

LINDEX'S AND SEPPÄLÄ'S *baby collections favour organic cotton as raw material. The responsible selections are extensive in the fashion chains. In 2013, almost 13 million products produced from responsible materials were offered to the customers.*

LINDEX IS SETTING ITS SIGHTS ON CHINA

35 franchising stores

FRANCISING OFFERS Lindex the opportunity to enter new market areas with low risk and an efficient use of capital. Lindex had 35 franchising stores in 6 countries at the end of 2013.

Store opening **9/2014**

LINDEX AND SUNING, one of the largest companies in China, signed in September a franchising agreement on the opening of Lindex stores in China. The first store will open in Shanghai in September 2014.

100 new stores

THE PARTNERSHIP is a large step forward in Lindex's international expansion. The target is to open about 100 Lindex stores in China's cities by 2018. Suning will also arrange the online sale of Lindex's products in China.

REVENUE EUR mill.
805.2
▼ 814.0 (2012)

OPERATING PROFIT EUR mill.
38.6
▼ 50.0 (2012)

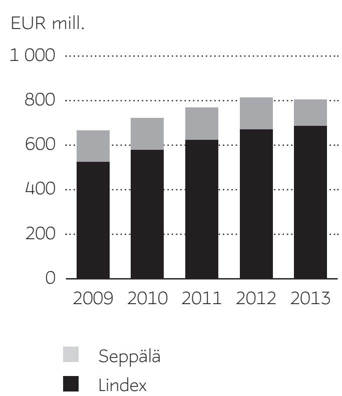
OPERATING PROFIT %
4.8
▼ 6.1 (2012)

INVESTMENTS EUR mill.
24.7
▲ 22.0 (2012)

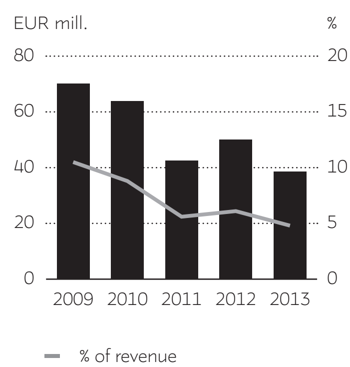
GROSS MARGIN %
61.7
▲ 61.5 (2012)

RETURN ON CAPITAL EMPLOYED %
3.7
▼ 4.7 (2012)

FASHION CHAIN DIVISION'S REVENUE 2009–2013



FASHION CHAIN DIVISION'S OPERATING PROFIT 2009–2013

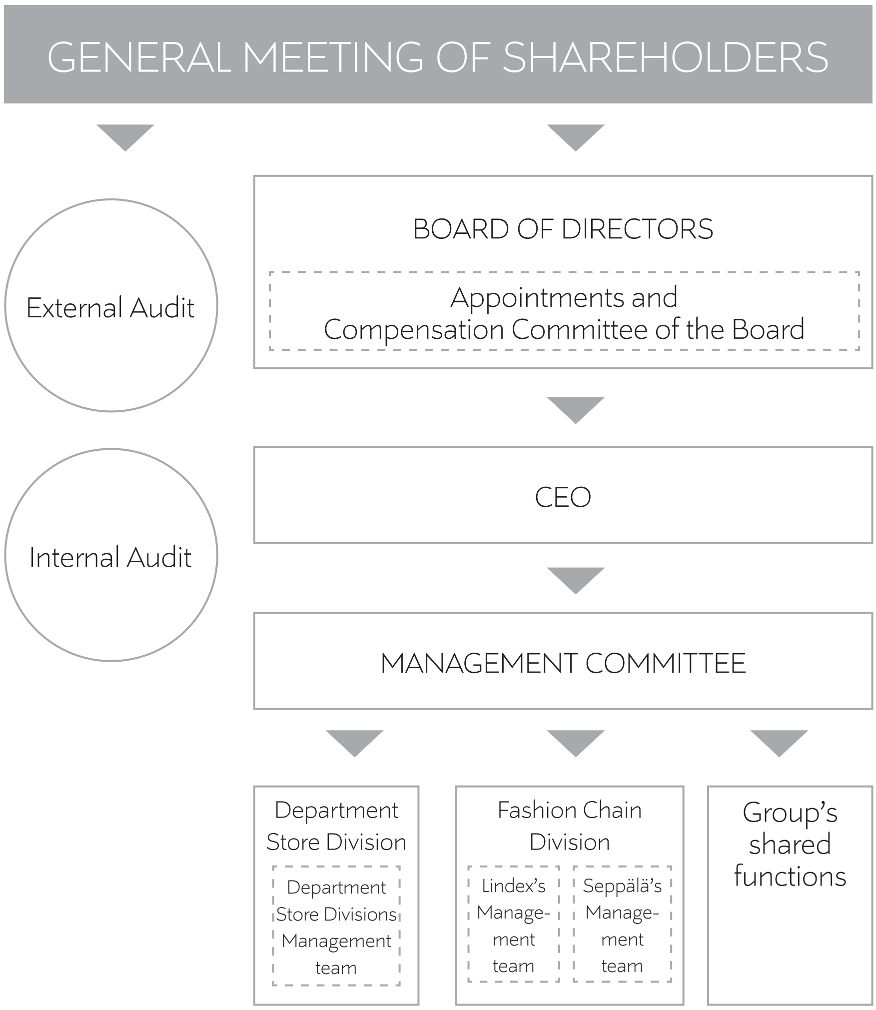


CORPORATE GOVERNANCE STATEMENT OF THE STOCKMANN GROUP

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

This Corporate Governance Statement of Stockmann plc for the 2013 financial year has been compiled in accordance with recommendation 54 of the Finnish Corporate Governance Code. The statement and up-to-date information on the company's corporate governance are also accessible on the company's website, stockmanngroup.com, under 'Governance'. The statement covers the corporate bodies of the parent company Stockmann plc, which are responsible for the Group's administration and operations. These corporate bodies are the general meeting of shareholders, the Board of Directors and the chief executive officer (CEO). It also deals with the election and working processes of the Board of Directors, the Board Committee's duties and responsibilities, Stockmann's management organisations, and compensation of the Board and senior management. In addition, Stockmann publishes a Remuneration Statement in accordance with the Code's requirements. The Remuneration Statement is available on the company's website, stockmanngroup.com.

CORPORATE GOVERNANCE MODEL OF STOCKMANN



GENERAL MEETING OF SHAREHOLDERS

The highest decision-making body of Stockmann plc is the General Meeting of Shareholders. The Annual General Meeting approves the company's annual financial statements and decides on the disposal of profit on the confirmed balance sheet, the election and remuneration of members of the Board of Directors and on the release of the members of the Board of Directors and the CEO from liability.

The Annual General Meeting shall be held each year before the end of June. The Annual General Meeting for 2013 was held on 21 March 2013 in Helsinki. All the members elected to the Board of Directors and the company's auditors were present at the Annual General Meeting. There were 827 shareholders present personally or represented by proxy at the meeting, representing 49.28 per cent of the company's registered share capital and 64.43 per cent of the votes.

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

BOARD OF DIRECTORS

Under Stockmann's Articles of Association, the company's Board must have at least five and no more than nine members. Board members are elected for a term of one year, starting from the annual general meeting in which they are elected and ending at the conclusion of the subsequent annual general meeting. The Articles of Association do not contain any restrictions on the election of Board members.

The Board of Directors shall elect a chairman and vice chairman from amongst its members. At the end of 2013, the company's Board of Directors was composed of eight members elected by the 2013 Annual General Meeting. Chairman Christoffer Taxell and members Eva Liljeblom, Kari Niemistö, Per Sjödell, Charlotta Tallqvist-Cederberg, Carola Teir-Lehtinen and Dag Wallgren were re-elected to the Board. Managing Director Kjell Sundström was elected as a new member. Kaj-Gustaf Bergh served as a member of the Board until the 2013 Annual General Meeting.

The members of the Board must have the qualifications required for their 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. The Board of Directors is considered to have a quorum when more than half of its members are present. Decisions shall be made by majority vote. In the event of a tie, the chairman has the casting vote.

Additional information on the members of the Board of Directors is available on pages 26–27.

Duties of the Board

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

The Board of Directors has adopted rules of procedure, which are available on the company's website, stockmanngroup.com. The rules of procedure define 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 evaluating the Board's performance.

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:

- 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 members of the Group Management Committee
- approves the company's risk management principles
- assesses and approves the company's long-term strategic and financial objectives
- approves the business and strategic plans and assesses their implementation
- approves the annual budget
- decides on significant individual investments and corporate and property acquisitions
- decides on the company's dividend distribution policy and makes proposals to the Annual General Meeting concerning the dividend to be paid
- convenes general meetings of shareholders.

In accordance with its rules of procedure, the Board conducts an annual self-evaluation of its operations and working practices under recommendation 7 of the Finnish Corporate Governance Code. The results of the evaluation are used to develop the Board's working processes.

Board meetings

The Board of Directors convenes in accordance with a pre-confirmed timetable and when necessary. The meeting timetable is based on the timetable for the company's

REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS IN 2013

	Fixed annual fees*, EUR	Fees paid for attendance, EUR	Committee attendance fees, EUR	Remuneration in cash in total, EUR	Number of shares	Share value, EUR
Christoffer Taxell (Chairman)	76 000	2 500	1 500	80 000	2 637	30 780.00
Kari Niemistö (Vice Chairman)	49 000	3 000	2 000	54 000	2 311	26 979.40
Eva Liljeblom	38 000	2 500	–	40 500	1 090	12 730.00
Per Sjödell	38 000	2 500	–	40 500	2 116	24 700.00
Kjell Sundström**	38 000	2 000	–	40 000	1 302	15 200.00
Charlotta Tallqvist-Cederberg	38 000	3 000	2 500	43 500	2 344	27 360.00
Carola Teir-Lehtinen	38 000	2 500	–	40 500	1 465	17 100.00
Dag Wallgren	38 000	3 000	2 500	43 500	1 302	15 200.00
Kaj-Gustaf Bergh***	–	500	–	500	–	–
Board members, total	**353 000**	**21 500**	**8 500**	**383 000**	**14 567**	**170 049.40**

* Around 50% of the annual remuneration is paid in company shares. ** Elected as a new member of the Board at the Annual General Meeting 2013.
*** Board member until the Annual General Meeting 2013.

SHARES OF THE BOARD OF DIRECTORS 31 DECEMBER 2013*

	Series A share	Series B share
Christoffer Taxell (Chairman)	2 375	17 593
Kari Niemistö (Vice Chairman)	3 168 650	1 030 807
Eva Liljeblom	257	8 821
Per Sjödell		2 116
Kjell Sundström		1 456
Charlotta Tallqvist-Cederberg		7 041
Carola Teir-Lehtinen		10 722
Dag Wallgren		3 989

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

financial reporting. In addition, the Board convenes amongst others for a strategy meeting.

Of the company's active management, the following regularly attend the Board meetings: the CEO, the Executive Vice Presidents, the Director of the Fashion Chain Division, and the Director of Legal Affairs, who acts as secretary at the meeting. Two staff representatives who are not members of the Board of Directors, currently Rolf Feiring and Rita Löwenhild, also participate in the Board's meetings. One of these representatives is elected by the staff representatives of Stockmann's Group Council and the other by the association representing Stockmann's senior salaried employees. The Board of Directors convened 9 times in 2013. The rate of attendance was 98.6 per cent.

BOARD COMMITTEES

The Board has established an Appointments and Compensation Committee from amongst its members. The committee attends to the duties defined in recommendations 28–30 of the Finnish Corporate Governance Code as the duties of an appointments committee, and in recommendations 31–33 as the duties of a compensation committee. The Board attends to the duties of the Audit Committee referred to in recommendations 24–27. The Committee assists the Board by preparing matters that belong to the Board's jurisdiction and reports to the Board annually. The Board has approved rules of procedure for the Committee, defining the Committee's duties and responsibilities. The rules of procedure are available for viewing on the company's website, stockmanngroup.com.

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 Group Management Committee, preparations concerning the election and compensation of members of the Board of Directors for proposal to the general meeting of shareholders. The Committee meets as necessary, but at least once a year.

The Board of Directors appoints the members of the Committee and its chairman annually. The Appointments and Compensation Committee comprises four members of the Board of Directors, who are independent of the company. In March 2013 the Board re-elected Christoffer Taxell as the Committee's Chairman, and elected Managing Director Kari Niemistö, Managing Director Charlotta Tallqvist-Cederberg and Managing Director Dag Wallgren as its other members. The CEO is also entitled to attend the Committee's meetings.

SHARES AND SHARE OPTIONS OF THE MANAGEMENT COMMITTEE MEMBERS 31 DECEMBER 2013*

	Series A share	Series B share	2010A option	2010B option	2010C option
Hannu Penttilä (CEO)	111	15 036	40 000	27 000	27 000
Pekka Vähähyyppä		5 813	24 000	16 000	16 000
Maisa Romanainen		1 500	24 000	16 000	16 000
Göran Bille		15 877	24 000	16 000	16 000
Heini Pirttijärvi		2 024	10 000	6 600	6 600
Lauri Veijalainen		1 225	18 000	12 000	12 000
Jukka Naulapää			12 000	8 000	12 000

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

REMUNERATION OF CEO AND OTHER GROUP MANAGEMENT COMMITTEE MEMBERS

EUR	2013	2012
Chief Executive Officer		
Fixed salary	**587 520**	606 320
Incentive pay (for the previous year)	**30 960**	–
Fringe benefits	**21 585**	20 880
Total	**640 065**	627 200
Other Management Committee members		
Fixed salary	**1 749 436**	1 763 356
Incentive pay (for the previous year)	**58 344**	12 268
Fringe benefits	**73 570**	76 647
Total	**1 881 350**	1 852 271

In February 2014 the Committee gave the Board its proposal for the Annual General Meeting to be held on 18 March 2014. According to the proposal LL.M., B.Sc. (Econ.) Kaj-Gustaf Bergh, Managing Director of Föreningen Konstsamfundet r.f. is elected as new Board Member. The Chairman of the Board of Directors Christoffer Taxell, is no longer available as a Board member. It is proposed that all other Board members continue to serve on the Board. The persons proposed for the Board have announced that if they are elected, they choose from among its members Kaj-Gustaf Bergh as Chairman of the Board of Directors. In addition, the Committee proposes the following remuneration be paid to the Board members: EUR 76 000 to the Chairman of the Board, EUR 49 000 to the Vice Chairman of the Board and EUR 38 000 to each Board member. In addition, a fee of EUR 500 will be paid for each meeting. About 50 per cent of the annual remuneration will be paid in company shares and the rest in cash. There are no special conditions concerning ownership of the shares.

The Appointments and Compensation Committee met 6 times during the 2013 financial year. The rate of attendance was 100 per cent.

CHIEF EXECUTIVE OFFICER

The Board of Directors appoints the company's Chief Executive Officer (CEO). Hannu Penttilä has been the company's CEO since 1 March 2001. He has been employed by Stockmann since 1978. The Board of Directors has decided on the terms and conditions of his post, which are set forth in writing in a CEO agreement.
The CEO is in charge of the company's governance and line operations in accordance with the instructions and regulations issued by the Board of Directors. He is also responsible for developing general strategic and business plans presented to the Board.

OTHER EXECUTIVES

Headed by the CEO, the Group Management Committee is responsible for directing operations and for preparing strategic and financial plans. The Management Committee's main duties are drawing up and implementing the Group's strategy and the divisions' strategies, and financial forecasts, earnings development and investments.

The Group's Management Committee comprises seven members including the CEO, to whom the members of the Committee report. The Director of Legal Affairs acts as secretary to the Management Committee. Maisa Romanainen, Director of the Department Store Division and Pekka Vähähyyppä, Chief Financial Officer (CFO), have acted as the company's Executive Vice Presidents since 6 November 2008. The Group's divisions have their own management teams that assist the Directors of their respective divisions.

Since the beginning of 2013 the Management Committee has consisted of the following members: CEO Hannu Penttilä, Executive Vice President, Director of the Department Store Division Maisa Romanainen, Executive Vice President, CFO Pekka Vähähyyppä, Director of the Fashion

TERMS AND CONDITIONS OF THE CEO AGREEMENT

Incentive pay systems	Stockmann's CEO is covered by the 2010 Key Personnel share options programme. The terms of the share option scheme can be found at stockmanngroup.com.
Age of retirement	The CEO has a right to retire once he has reached the age of 60. Hannu Penttilä's CEO term was extended in April 2013 under an agreement that will remain valid until further notice.
Retirement benefits	The CEO's pension is determined on the basis of TyEL insurance under the Employees Pensions Act (TyEL), and separate insurance taken by the company. The pension is 60 per cent of the pensionable salary, which is determined on the basis of the earnings in 2009–2012 and as an average of the two middle years of these. Payment of the supplementary pension will begin when the CEO retires. The insurance cost was EUR 87 375 in 2013 (2012: EUR 325 960).
Ending the contract and compensation upon termination	The CEO's post is subject to a period of notice of 6 months applicable to both parties. Should the company give notice of termination, the CEO has the right to compensation equivalent to 12 months' fixed salary after the notice period has expired. No additional compensation upon termination will be paid after the CEO has turned 60.

Chain Division, CEO of Lindex Göran Bille, HR Director Heini Pirttijärvi, Development Director of the Group's International Operations Lauri Veijalainen and Director of Legal Affairs Jukka Naulapää. In addition to the CEO, the Board of Directors appoints the Executive Vice Presidents and the other members of the Group Management Committee.

The Group Management Committee's personal information, main job experience and principal positions of trust as well as information on the shares and options held by the executives and their remuneration can be found on pages 23–24 and 28–29.

INTERNAL CONTROL AND INTERNAL AUDIT

Internal control is the responsibility of the Board of Directors. The function of internal control is, among other things, to ensure the efficiency and profitability of operations, the reliability of information and adherence to rules and regulations. Internal control is a part of day-to-day management and company administration.

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

RISK MANAGEMENT

The goal of risk management is to secure the Group's earnings development and to ensure that the company operates without any disturbances by controlling risks in a cost efficient and systematic manner in all divisions. The Board of Directors has approved the company's risk management principles, which concern all of the Stockmann Group's divisions and areas of business.

Stockmann's Board of Directors and the Group Management Committee regularly evaluate risk factors to which business operations are exposed and the sufficiency of risk management actions as a part of the strategy process. Risk management is supported by internal control systems and guidelines. Risk management guidelines have been drawn up separately for the following areas, among others: IT and information security, finance operations, environmental issues, malpractice, security and insurance.

Stockmann's business is exposed to various risks that may have an adverse effect on the company's operations. The divisions' management committees are responsible for making financial and strategic plans in their own units; analysing business risks and evaluating actions is a part of strategy planning. Business risks are also analysed outside the strategic process, especially in connection with significant projects and investments, and are reported to the Board of Directors as needed.

The Group has a risk management steering group, whose task it is to support business operations in recognising and managing such risks that may endanger or prevent Stockmann from achieving its strategic goals. The steering group, which comprises the company's Head of Internal Audit, Director of Legal Affairs and Group Consolidation Manager, reports its findings and recommendations to the Group's Management Committee.

RISK FACTORS

Business risks comprise all the factors that may jeopardise or prevent the achievement of the strategic goals of the Group or an entity belonging to it. Stockmann's business risks are divided into three risk areas:

- Strategic risks, which refer to risk factors that are external to the company. Should they materialise, they may have a major impact on the company's ability to operate and on profitability. Such risk factors include fundamental and unexpected changes in the market trend,

decreasing purchasing power and the country-specific risk pertaining to Russia.
- Operative and accident risks, which refer to risks related to the company's functions. Should they materialise, they may lead to an interruption of business operations, inefficiency and unprofitability. Such risks include increasing competition, personnel, malpractice, ITC and information security risks, as well as risks related to the information used in decision-making.
- Financial risks which, should they materialise, would adversely affect the Group's profit, balance sheet and liquidity. Financial risks, including risks arising from exchange rate and interest rate fluctuations, are managed in accordance with the risk policy confirmed by the Board of Directors.

In the current situation, factors of uncertainty related to the general economic conditions and, in particular, consumers' purchasing power and essential exchange rates, are estimated to be the primary risks that may have an impact on Stockmann's operations.

Risks and sources of uncertainty are explained in further detail in the Report by the Board of Directors on pages 30–35.

MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS PERTAINING TO THE FINANCIAL REPORTING PROCESS

The company's Board of Directors is responsible for the implementation of internal control in regard to financial reporting and also attends to the duties of the Audit Committee. The Group's Chief Financial Officer and the Finance and Control Department are responsible for the Group's financial reporting. 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 guidelines, process descriptions, reconciliations, and analyses used for ensuring the validity of the information used in the reporting and the validity of the reporting itself.

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

The divisions and the Group's Finance and Control Department are responsible for the effectiveness of internal control within their own sphere of responsibility. The Group's Finance and Control Department is responsible for assessments of the reporting processes. 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.

CSR

Commitment to responsible operations forms a core part of Stockmann's values and daily ways of working. In its business operations, the company strives to exceed the minimum requirements stipulated by laws, regulations or conventions. Stockmann is committed to the UN's Global Compact initiative, and in accordance with this promotes human rights, labour rights, environmental protection and anti-corruption measures.

Stockmann's Code of Conduct, which is approved by the Board of Directors, defines ways of working for all employees and management staff without exception. Stockmann also requires its goods suppliers and partners to follow the principles of the Code of Conduct.

The Stockmann CSR strategy sets the targets for the company's responsibility work. CSR issues are reported in the annual CSR report and at stockmanngroup.com.

AUDITORS

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

The Annual General Meeting of 2013 elected as its regular auditors Jari Härmälä, Authorised Public Accountant, who has served as Stockmann's regular auditor since 2007, and Anders Lundin, Authorised Public Accountant, a new regular auditor. Both auditors represent KPMG, Authorised Public Accountants. KPMG Oy Ab, Authorised Public Accountants, was elected as the deputy auditor. At the moment KPMG, Authorised Public Accountants, acts as auditors for all the company's subsidiaries in all countries of operation. In 2013, the fees relating to the auditing process amounted to EUR 0.8 million and the fees for tax counselling and other services to EUR 0.2 million.

Approved by the Board of Directors of Stockmann plc on 12 February 2014.

ADDITIONAL INFORMATION

on the members of the Board of Directors, the CEO and the members of the Group Management Committee, and the rules of procedure are available on the company's website stockmanngroup.com

CHARLOTTA TALLQVIST-CEDERBERG KARI NIEMISTÖ CHRISTOFFER TAXELL PER SJÖDELL CAROLA TEIR-LEHTINEN

BOARD OF DIRECTORS

Christoffer Taxell
b. 1948
Finnish citizen
LL.M.

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

Independent of the company

Principal positions of trust:
Föreningen Konstsamfundet r.f., member of the Board 1996–, chairman of the Board 2004–; Rettig Group Ltd, member of the Board 2012–; Bank of Åland Plc, member of the Board 2013–

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

Managing Director, Selective Investor Oy Ab
Vice Chairman of the Board 2012–, member 1998–
Member of the Board's Appointments and Compensation Committee

Independent of the company and major shareholders

Principal positions of trust:
Ars Fennica Art Foundation, chairman of the Board 2004–; Raisio plc, member of the supervisory Board 2008–

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

Rector, Professor, Hanken School of Economics
Member of the Board 2000–

Independent of the company and major shareholders

Principal positions of trust:
Municipality Finance Plc, member of the Board 2003–, chairman of the Board 2011–; Fennia Mutual Insurance Company, member of the Board 2003–; Veikkaus Oy, member of the Board 2010–

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

Managing Director, Fiskars Sweden AB
Member of the Board 2012–

Independent of the company and major shareholders

Principal positions of trust:
Fiskars Sweden AB, member of the Board 2012–; Akademibokhandeln AB, member of the Board 2013–; Adlern Mindre, chairman of the Board 2010–

Kjell Sundström
b. 1960
Finnish citizen
M.Sc.(Econ.)

CEO, the Åbo Akademi University Endowment
Member of the Board 2013–

Independent of the company and major shareholders

Principal positions of trust:
Veritas Pension Insurance Company Ltd, chairman of the Board 2005–; Ab Yrkeshögskolan vid Åbo Akademi, member of the Board, 2006–; Stiftelsen Academica, Stockholm, member of the Board 2005–

KJELL SUNDSTRÖM DAG WALLGREN EVA LILJEBLOM ROLF FEIRING RITA LÖWENHILD

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

Managing Director, CTC Consulting Oy Ab
Member of the Board 2010–
Member of the Board's Appointments and Compensation Committee

Independent of the company

Principal positions of trust: Handelsbanken Rahastoyhtiö Oy, member of the Board 2012–

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

Professional Board member
Member of the Board 2004–

Independent of the company and major shareholders

Principal positions of trust: Sweco AB (publ), member of the Board 2011–; Yliopiston Apteekki, member of the Board 2013–; Arcada Foundation, vice chairman of the Board 2011–; WWF Finland, member of the supervisory Board 2011–; The Finnish Children and Youth Foundation, member of the Committee 2004–

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

Managing Director, Svenska litteratursällskapet i Finland r.f.
Member of the Board 2011–
Member of the Board's Appointments and Compensation Committee

Independent of the company

Principal positions of trust: Aktia Bank Plc, member of the Board 2003–, chairman of the Board 2010–; Söderströms & C:o förlags Ab, member of the Board 2009–; Veritas Pension Insurance Company Ltd, member of the supervisory Board 2012–

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

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

Administrative Manager, Department Store Division

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

Rita Löwenhild
b. 1952
Finnish citizen

Chief shop steward, Department Store Division

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

Details of the Board of Directors at 31 December 2013. Information on the remuneration and share ownership of the Board is available on page 22 of the Annual Report. **More information** on the main job experience of the Board of Directors, their principal positions of trust and up-to-date information on their ownership is available on the company's website, **stockmanngroup.com**.

LAURI VEIJALAINEN MAISA ROMANAINEN HANNU PENTTILÄ

MANAGEMENT COMMITTEE

Hannu Penttilä
b. 1953, Finnish citizen
LL.M.
CEO 2001–

Joined Stockmann in 1978

Essential job experience:
Stockmann, Executive Vice President 1994–2001, Director, Department Store Division 1992–2001, Director, Helsinki department store 1986–1991, Director, Tapiola department store 1985–1986, Lawyer 1978–1984

Principal positions of trust:
Nokia Tyres plc, member of the Board 1999–; Varma Mutual Pension Insurance Company, member of the Supervisory Board 2001–; East Office of Finnish Industries, member of the Board 2008–

Pekka Vähähyyppä
b. 1960, Finnish citizen
M.Sc.(Econ.), EMBA
Executive Vice President 2008–, CFO 2000–

Joined Stockmann in 2000

Essential job experience:
Stockmann, CFO 2000–2008; Svenska Nestlé, CFO 1997–2000; Nestlé Norden, Head of Finance and Control 1997–2000; Suomen Nestlé, CFO 1994–1997; OKO Venture Capital, Director 1990–1994

Principal positions of trust:
Lyy-Invest Oy, member of the Board 2002–; Leinovalu Oy, vice chairman of the Board 2010–; Hartela Group, chairman of the Board 2013–, A-lehdet Oy, member of the Board 2013–

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

Joined Stockmann in 1996

Essential job experience:
Stockmann, Director, department stores in Finland and the Baltic countries 2008, Director, department stores abroad 2005–2007, Director, Tallinn department store 2000–2005, Director, Smolenskaya department store, Moscow 1998–2000, Buying Manager 1996–1997; BRIO, Product Manager and Buying Director 1990–1996

Principal positions of trust:
The Finnish Grocery Trade Association, member of the Board 2008–; Tuko Logistics Cooperative, member of the Board 2009–; Atria Plc, member of the Board 2010–; Finnish-Russian Chamber of Commerce, member of the Board 2012–

HEINI PIRTTIJÄRVI PEKKA VÄHÄHYYPPÄ GÖRAN BILLE JUKKA NAULAPÄÄ

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

Joined Stockmann in 2007

Essential job experience:
H&M Rowells, Managing director 2003–2004; H&M, Country Manager, Sweden 1998–2003, Buying Manager 1987–1998

Principal positions of trust:
Gunnebo Ab (publ), member of the Board 2008–; Synsam Nordic Ab & Synsam Holding Ab, member of the Board 2008–

Heini Pirttijärvi
b. 1966, Finnish citizen
M.Sc.(Econ.)
HR Director 2011–

Joined Stockmann in 1993

Essential job experience:
Stockmann, HR Director, Department Store Division 2009–, Sales Director, Helsinki department store 2005–2007, Director, Tapiola department store 2004–2005, Sales Manager, Helsinki department store 1996–2003, Store Manager, Moscow 1993–1995; SOK, commercial field training 1991–1993

Lauri Veijalainen
b. 1968, Finnish citizen
B.Sc.
Development Director for the Group's international operations 2010–

Joined Stockmann in 2010

Essential job experience:
Ikea Russia and CIS, CFO 2003–2010; Skanska Moscow, CFO and Administrative Director 1998–2003

Principal positions of trust:
Veikkaus Oy, deputy chairman of the Board 2013–; Fortrent Oy (JV Cramo-Ramirent), member of the Board 2013–

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

Joined Stockmann in 1998

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

Details of the members of the Management Committee at 31 December 2013.
Information on the remuneration and share ownership of the management is available on page 23 of the Annual Report. Up-to-date information on the share ownership is available on the company's website, **stockmanngroup.com**.

The full financial statements including the notes are available on the company's website, stockmanngroup.com.

REPORT BY THE **BOARD OF DIRECTORS**

The Stockmann Group's revenue amounted to EUR 2 037.1 million (EUR 2 116.4 million). Revenue was down by 2.3 per cent excluding terminated franchising operations. Operating profit was EUR 54.4 million (EUR 87.3 million). Profit for the period was EUR 48.4 million (EUR 53.6 million). Earnings per share were EUR 0.67 (EUR 0.74), which includes a tax refund of EUR 0.37. The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.40 per share be paid.

REVENUE AND EARNINGS

The market environment was weak in 2013, particularly in Finland where GDP growth stagnated, consumer confidence weakened and purchasing power declined. The Finnish fashion market was down by 4.9 per cent in 2013 (TMA index). In Sweden, the operating environment improved slightly in the summer and again at the end of 2013. The fashion market was down by 0.4 per cent for the full year (Stilindex). In Russia, GDP growth slowed down and the rouble weakened against the euro by over 10 per cent in the second half of the year. The retail market in the Baltic countries was relatively stable in 2013.

The Stockmann Group's revenue for the financial year was EUR 2 037.1 million (2012: EUR 2 116.4 million). If the terminated franchising operations are excluded, revenue declined by 2.3 per cent. If the terminated franchising operations are included, revenue declined by 3.7 per cent. Revenue was down in both divisions, although Lindex's revenue in the Fashion Chain Division improved in most of its markets except Finland.

Revenue in Finland was EUR 983.2 million (EUR 1 048.2 million). Excluding the terminated Zara franchising, revenue was down by 4.5 per cent. Revenue in other countries amounted to EUR 1 053.9 million (EUR 1 068.2 million). Excluding the terminated Bestseller franchising, revenue outside Finland was up by 0.3 per cent. The Norwegian krone and the Russian rouble weakened, whereas the Swedish krona was on a par with the previous year. If like-for-like exchange rates are used, the Group's revenue outside Finland, excluding franchising, was up by 2.2 per cent. This accounted for 51.7 per cent (50.5 per cent) of the total revenue.

There was no other operating income in 2013. In 2012, other operating income was EUR 0.6 million.

The Group's gross profit for the financial year was down by EUR 57.1 million, to EUR 990.1 million (EUR 1 047.2 million). The gross margin was 48.6 per cent (49.5 per cent). The gross margin was slightly up in the Fashion Chain Division and down in the Department Store Division. Operating costs were down by 2.8 per cent, or by EUR 24.6 million, to EUR 861.4 million (EUR 886.0 million). Costs were significantly down in the Department Store Division, due to the cost savings programme and the terminated franchising operations, but up in the Fashion Chain Division. Operating costs accounted for 42.3 per cent (41.9 per cent) of revenue. Depreciation was EUR 74.4 million (EUR 74.5 million).

The consolidated operating profit for the financial year was down by EUR 33.0 million, to EUR 54.4 million (EUR 87.3 million). Lindex improved its operating profit while the operating result of both the Department Store Division and Seppälä was significantly weaker than in 2012. Operating profit declined particularly in Finland and Russia, but was up in the market area Sweden and Norway.

Lindex received a EUR 26.3 million tax refund, consisting of EUR 21.8 million in taxes and EUR 3.1 million in interests from the Swedish tax authorities and EUR 1.0 million in taxes and EUR 0.4 million in interests from the German tax authorities . The tax refund resulted from the Swedish and German tax authorities' earlier decision to eliminate the Lindex Group's double taxation for 1999–2005 tax years. The refund was recognised in the income statement in the third quarter and in the cash flow statement in the fourth quarter.

Net financial expenses for the financial year were down by EUR 4.8 million, to EUR 27.6 million (EUR 32.4 million). The decline was mainly due to interest income resulting from the Lindex tax refund. Non-recurring foreign exchange losses amounted to EUR 1.5 million (2012: gains of EUR 0.6 million).

Profit before taxes for the financial year was EUR 26.8 million (EUR 54.9 million). Income taxes were EUR 6.2 million (EUR 7.0 million). A credit of EUR 22.8 million was recognised on the Lindex tax refund. A decline in deferred tax liability also reduced taxes since a lowered corporate tax rate was introduced in Finland as of 1 January 2014. In total, taxes for the year amounted to EUR -21.6 million (EUR 1.4 million). Profit for the year was EUR 48.4 million (EUR 53.6 million).

Earnings per share for the financial year amounted to EUR 0.67 (EUR 0.74), and, diluted for share options, to EUR 0.67 (EUR 0.74). The tax refund for Lindex, which is included in earnings, was EUR 0.37 per share. Equity per share was EUR 12.42 (EUR 12.40).

REVENUE AND EARNINGS BY DIVISION

Department Store Division

The Department Store Division's full-year revenue was EUR 1 232.6 million (EUR 1 302.7 million). If the terminated franchising operations are excluded, revenue was down by 3.1 per cent.

Revenue in Finland was EUR 833.5 million (EUR 881.2 million) in 2013. Excluding the Zara franchising, revenue was down by 3.3 per cent. Revenue declined in all department stores, and particularly in the Tampere, Itäkeskus, and Tapiola department stores, due to construction and renovation work. The Stockmann online store almost doubled its revenue. This represented nearly 5 per cent of the product categories sold online. Hobby Hall's revenue declined due to the challenging electronics market.

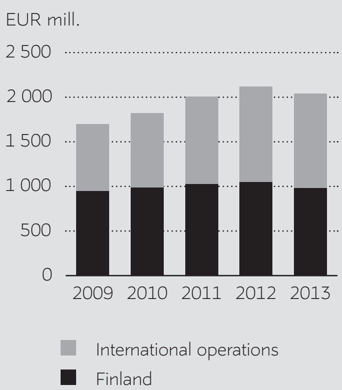
REVENUE

	2013 EUR mill.	2012 EUR mill.	Change EUR mill.	Change %
Department Store Division, Finland	833.5	881.2	-47.7	-5.4
Department Store Division, international operations	399.1	421.5	-22.4	-5.3
Department Store Division, total	**1 232.6**	1 302.7	-70.1	-5.4
Fashion Chain Division, Finland	150.4	167.3	-16.8	-10.1
Fashion Chain Division, international operations	654.8	646.7	8.1	1.2
Fashion Chain Division, total	**805.2**	814.0	-8.8	-1.1
Unallocated	-0.8	-0.3	-0.5	
Operations in Finland, total	983.2	1 048.2	-65.0	-6.2
International operations, total	1 053.9	1 068.2	-14.3	-1.3
Total	**2 037.1**	2 116.4	-79.4	-3.7

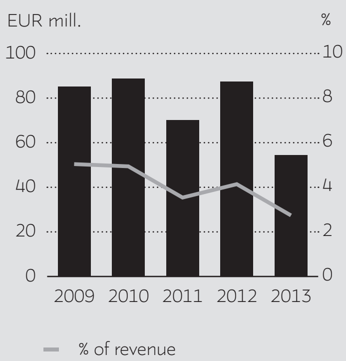
OPERATING PROFIT AND RETURN ON CAPITAL EMPLOYED (ROCE)

	2013 EUR mill.	2012 EUR mill.	Change EUR mill.	2013 ROCE %	2012 ROCE %
Department Store Division	26.0	48.0	-22.0	3.8	7.3
Fashion Chain Division	38.6	50.0	-11.4	3.7	4.7
Unallocated	-10.2	-10.6	0.4		
Total	**54.4**	87.3	-32.9	**3.4**	5.1

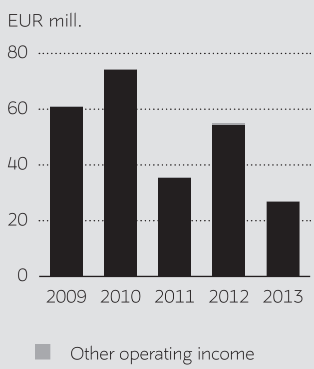
REVENUE 2009–2013



OPERATING PROFIT 2009–2013



PROFIT BEFORE TAXES 2009–2013



Revenue from international operations was EUR 399.1 million (EUR 421.5 million) and accounted for 32.4 per cent (32.4 per cent) of the division's total revenue. Excluding the terminated Bestseller franchising, euro-denominated revenue was down by 2.7 per cent. The decline was due to the weakened Russian rouble. If like-for-like exchange rates are used, revenue was up by 1.8 per cent and grew particularly in St Petersburg and Ekaterinburg.

Revenue in the Baltic countries was down by 2.3 per cent to EUR 96.5 million (EUR 98.8 million). In Russia, revenue excluding franchising was down by 2.9 per cent to EUR 302.6 million (EUR 311.5 million, excluding Bestseller franchising of EUR 11.2 million). Rouble-denominated revenue, excluding franchising, was up by 1.9 per cent.

The gross margin for the financial year was 40.1 per cent (41.9 per cent). The decline was due to price-driven campaigns in all markets and the weakened Russian rouble. Operating profit was down by EUR 22.0 million, to EUR 26.0 million (EUR 48.0 million). In 2012 the Bestseller franchising operations recorded an operating result of EUR -7.3 million. Operating profit was positive in all markets. Operating costs decreased by EUR 31.4 million, mainly due to the cost savings programme and the terminated franchising operations, which had costs of EUR 17.2 million in 2012.

Fashion Chain Division

The Fashion Chain Division's full-year revenue was down by 1.1 per cent, to EUR 805.2 million (EUR 814.0 million). Revenue was down by 10.1 per cent in Finland, to EUR 150.4 million (EUR 167.3 million), and up by 1.2 per cent in international operations, to EUR 654.8 million (EUR 646.7 million). Revenue outside Finland accounted for 81.3 per cent (79.5 per cent) of the division's total revenue.

Lindex's full-year revenue totalled EUR 688.0 million (EUR 670.9 million), an increase of 2.5 per cent compared on the previous year. In local currencies, revenue was up by 3.5 per cent, with growth in all markets except Finland. Seppälä's revenue was down by 18.1 per cent, to EUR 117.3 million (EUR 143.1 million), with a decline recorded in all markets.

The Fashion Chain Division's gross margin for 2013 was 61.7 per cent (61.5 per cent). Lindex's gross margin improved to 62.6 per cent (62.3 per cent). Seppälä's gross margin was 56.4 per cent (57.6 per cent). The decline was due to price-driven campaigns.

The division's full-year operating profit was down by EUR 11.4 million, to EUR 38.6 million (EUR 50.0 million). Lindex continued its good performance and recorded an operating profit of EUR 52.9 million (EUR 51.0 million). Seppälä's operating result was significantly down, to EUR -14.4 million (EUR -1.0 million). The result declined in all countries as a result of weak sales, despite lower operating costs.

FINANCING AND CAPITAL EMPLOYED

Cash and cash equivalents totalled EUR 33.9 million at the close of the year, compared with EUR 36.1 million a year earlier. Cash flow from operating activities was EUR 125.4 million (EUR 123.7 million) for the financial year. The cash flow includes Lindex's tax refund of EUR 26.3 million.

Net working capital excluding cash and cash equivalents amounted to EUR 133.9 million at the close of the year, compared with EUR 119.5 million a year earlier. Inventories were EUR 285.8 million (EUR 281.4 million). Compared with the previous year, the stock level was up in the Fashion Chain Division and down in the Department Store Division.

Current receivables amounted to EUR 120.9 million (116.2 million). Non-interest-bearing liabilities amounted to EUR 272.8 million (EUR 278.1 million).

Interest-bearing liabilities at the close of the year stood at EUR 814.8 million (EUR 848.5 million), of which EUR 469.4 million (EUR 502.9 million) was long-term debt. In addition, the Group had EUR 393.4 million in undrawn, long-term committed credit facilities. Most of the short-term debt has been acquired in the commercial paper market.

Stockmann refinanced its long-term credit facilities in December 2013 by signing bilateral agreements, totalling EUR 700 million, with six banks. The facilities will mature in February 2019.

The equity ratio at the close of the year was 43.8 per cent (42.8 per cent), and net gearing was 87.3 per cent (90.9 per cent).

The return on capital employed over the past 12 months was 3.4 per cent (5.1 per cent). The Group's capital employed decreased by EUR 35.5 million and stood at EUR 1 710.2 million (EUR 1 742.5 million) at the end of the year.

DIVIDENDS

In accordance with the resolution of the 2013 Annual General Meeting, a dividend of EUR 0.60 per share was paid on the 2012 financial year, totalling EUR 43.1 million.

At the end of the financial year, on 31 December 2013, the funds available for profit distribution on the parent company's balance sheet amounted to EUR 394.2 million, of which EUR 15.2 million was net profit for the financial year. The Board of Directors will propose to the Annual General Meeting, to be held on 18 March 2014, that a dividend of EUR 0.40 per share be paid on the 2013 financial year. The proposed dividend is 59.5 per cent of earnings per share. Under this proposal, a total of EUR 28.8 million would be paid in dividends. EUR 365.4 million would remain in unrestricted equity.

COST SAVINGS PROGRAMME

In April, Stockmann launched a cost savings programme across the organisation. The target was to reduce fixed operating costs in the Department Store Division and the Fashion Chain Division by over EUR 10 million in 2013. The target was exceeded. Stockmann also introduced lay-offs of 12 working days for most of its personnel in Finland, aimed at achieving additional savings of approximately EUR 7 million by summer 2014. EUR 5 million of the targeted savings were achieved in 2013.

The Department Store Division is also undergoing structural changes in order to improve the long-term cost structure. The changes are being implemented in stages, and they were first applied in marketing operations in the autumn. The new operating model for marketing led to a reduction of 50 jobs in Finland. The target is to achieve annual cost savings of approximately EUR 4 million, to be achieved partially in 2014 and fully in 2015.

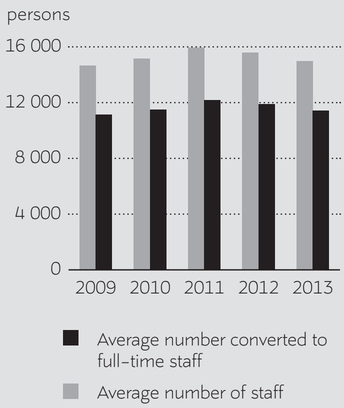
Planning for structural changes in the Department Store Division's store operations and customer service organisation was also initiated in 2013. A plan to introduce a new distribution centre for department stores in Finland and the Baltic countries was announced in January 2014.

CAPITAL EXPENDITURE

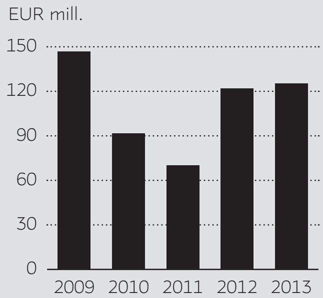
Capital expenditure during the financial year totalled EUR 56.8 million (EUR 60.3 million), which was lower than depreciation at EUR 74.4 million (74.5 million).

The Department Store Division's capital expenditure for the financial year totalled EUR 26.9 million (EUR 30.4 million). In 2013 the division invested EUR 10.3 million in a project to introduce a new enterprise resource planning (ERP) system. The system was implemented in Russia and the Baltic countries, and for the Academic

STAFF 2009–2013

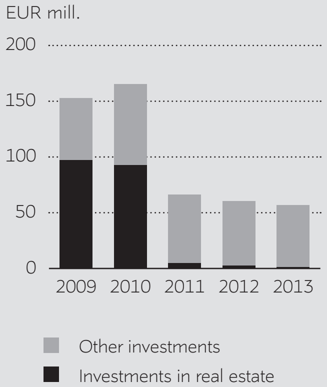


CASH FLOW FROM OPERATING ACTIVITIES 2009–2013



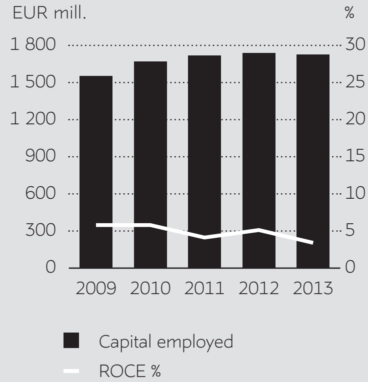
DIVIDEND FOR THE FINANCIAL YEARS 2009–2013

INVESTMENTS 2009–2013

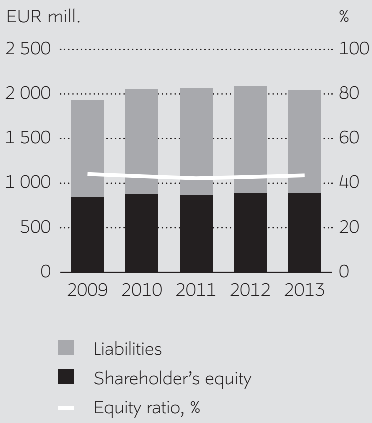


DEPRECIATION 2009–2013

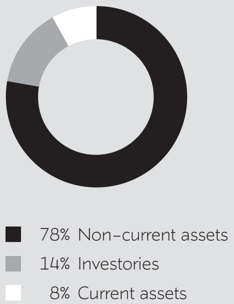
CAPITAL EMPLOYED AND ROCE 2009–2013



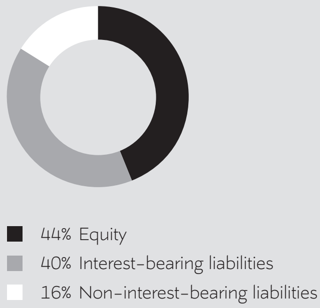
EQUITY RATIO 2009–2013



ASSETS 2013



EQUITY AND LIABILITIES 2013



STORE NETWORK

Stockmann Group	Total 31.12.2012	New stores in 2013	Closed stores in 2013	**Total 31.12.2013**
Department stores*	16			**16**
Stockmann Beauty stores	12		1	**11**
Other stores in Department Store Division (Hobby Hall, Outlets)	9		7	**2**
Lindex stores	469	20	10	**479**
of which franchising	30	9	4	**35**
of which own stores	439	11	6	**444**
Seppälä stores	220	1	12	**209**

** Academic Bookstores are part of the department stores in Finland*

Bookstore in Finland during 2013. Other implementations in Finland will take place in 2014.

New premises were opened for the Itis department store in Itäkeskus, Helsinki in November 2013. The renovation was mostly financed by the landlord.

The enlargement of the Tampere department store continued. The project is due for completion in late 2014. The outlet stores in Vantaa, Finland, and in Tallinn, Estonia, a concept store in St Petersburg, Russia and one Stockmann Beauty cosmetics store in Finland were closed during 2013. Four Zara franchising stores in Finland were transferred to Inditex as of 1 March 2013 when the franchising operations were terminated.

The Fashion Chain Division's capital expenditure for the financial year totalled EUR 24.7 million (EUR 22.0 million). Lindex opened 20 stores and closed 10 stores in 2013. In total there were 479 Lindex stores in 16 countries at the end of the year.

Seppälä opened one store and closed 12 stores in 2013. In total there were 209 Seppälä stores in five countries at the end of 2013. Part of the capital expenditure was for the implementation of Seppälä's new ERP and financial systems, which were brought into use on 1 October 2013 following Lindex's example. At the same time, Seppälä's legal structure was changed to correspond to Lindex's legal structure.

The Group's other capital expenditure totalled EUR 5.4 million (EUR 7.9 million). The Group's financial management systems are being gradually replaced in connection with the renewal of the Department Store Division's ERP system. The project will continue in 2014.

NEW PROJECTS

The capital expenditure for 2014 is estimated to total approximately EUR 60 million, which is less than the estimated depreciation of approximately EUR 75 million. Most of it will be used for expansion and refurbishment of the Lindex store network, department store renovations and IT system renewals.

Planning for the Tapiola department store will continue, with the timetable being dependent on Espoo City's planning for the area.

Lindex will continue to expand with a net addition of over 20 stores in 2014, including franchising stores. The company has entered into a franchising partnership with Suning, a large retail and real estate company, in order to open a chain of Lindex fashion stores in China. The first Lindex store will be opened in Shanghai in September 2014. According to the franchising agreement, Suning's target is to establish 100 Lindex stores in China between 2015 and 2018. Suning will also introduce Lindex products online in China.

Seppälä targets to close down over 20 stores in Russia in 2014.

SHARES AND SHARE CAPITAL

Stockmann has two series of shares. Series A shares each confer 10 votes, while Series B shares each confer one vote. The shares carry an equal right to dividends. The par value is EUR 2.00 per share.

In February 2013, the Board of Directors approved a request of a shareholder to convert 31 798 Series A shares to Series B shares in accordance with Article 3 in the Articles of Association. The conversion did not affect the total number of shares, but the number of votes conferred by the shares was decreased by 286 182. The conversions of shares were registered in the Trade Register on 1 March 2013, and the converted shares were listed on the Nasdaq OMX Helsinki on 4 March 2013.

As of the end of 2013, Stockmann had 30 595 765 Series A shares and 41 452 918 Series B shares, or a total of 72 048 683 shares. The number of votes conferred by the shares was 347 410 568.

The share capital remained at EUR 144.1 million in 2013. The market capitalization at the end of the year was EUR 796.0 million (EUR 994.6 million).

At the close of 2013, the price of a Series A share was EUR 11.06, compared with EUR 14.08 at the end of 2012, while the preice of a the Series B share was EUR 11.04, compared with EUR 13.60 at the end of 2012. Share performance was under the OMX Helsinki Cap and the OMX Helsinki indexes in 2013. A total of 0.4 million (0.4 million) Series A shares and 14.6 million (11.3 million) Series B shares were traded during the year. This corresponds to 1.5 per cent (1.4 per cent) of the average number of Series A shares and 35.1 per cent (27.4 per cent) of the average number of Series B shares.

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

At the end of 2013, Stockmann had 59 475 shareholders, compared with 59 283 a year earlier. Stockmann did not receive any flagging announcements arising from changes in major shareholdings during 2013.

PERSONNEL

The Group's average number of personnel in 2013 was 14 963, which is 640 less than in the previous year (15 603 in 2012 and 15 964 in 2011). The average number of employees, in terms of full-time equivalents, decreased by 476 to a total of 11 422 (11 898 in 2012 and 12 172 in 2011). The decline was partly due to terminated franchising operations.

At the end of 2013, the Group had 15 441 employees (16 041) of whom 7033 (7 553) were working in Finland. The number of employees working outside of Finland was 8 408 (8 488) representing 54 per cent (53 per cent) of the total. The Department Store Division employed 8 955 people (9 634), Lindex 4 999 (4 856), Seppälä 1 346 (1 419), while 141 people were employed in the Corporate Administration (132).

The Group's wages and salaries amounted to EUR 313.1 million in 2013, compared with EUR 319.4 million in 2012 and EUR 307.7 million in 2011. Employee benefits expenses totalled EUR 397.8 million (EUR 405.1 million) which accounted for 19.5 per cent (19.1 per cent) of revenue.

EVENTS AFTER THE REPORTING PERIOD

Stockmann has signed an agreement with SRV on the construction of a new distribution centre for Finland and the Baltic countries. The distribution centre, which will be completed in 2016, will be located in Tuusula, Finland, and it will be financed and leased by Mutual Insurance Company Ilmarinen.

The new distribution centre will serve Stockmann's department stores and online store more efficiently than before. In addition to operational improvements, Stockmann is targeting an annual cost saving of approximately EUR 6.5 million, primarily in the form of reduced personnel, transportation and real estate expenses. Savings are expected to be achieved in full from 2018 onwards.

To achieve highly-automated operations as planned, Stockmann will make a significant investment in automation technology. The amount of capital expenditure will be confirmed once a decision on the automation technology provider is made. The automation of operations may lead to a reduction of a maximum of 200 man-years (FTE) at the warehouses in Finland and a maximum of 50 man-years (FTE) at the warehouse in Latvia.

RISK FACTORS

The Stockmann Group has own business operations in the Nordic countries, Russia, the Baltic countries and eastern Central Europe, and franchising operations in several other countries. The general economic situation is affecting consumers' purchasing behaviour and purchasing power in all of the Group's market areas. Rapid and unexpected movements in markets may influence the behaviour of both the financial markets and consumers. Uncertainties related to the general economic situation, and particularly those related to consumers' purchasing power, are considered to be the principal risks that may affect Stockmann during 2014.

Business risks are greater in Russia than in the Nordic countries or the Baltic countries, and the operating environment is less stable owing to factors such as the undeveloped business culture and the country's infrastructure. The grey economy still plays a considerable role and continues to distort competition. Although Russia became a member of the World Trade Organisation (WTO) in 2012, this has not brought greater clarity to the competitive environment nor reduced import duties. Energy prices, and especially oil prices, have a significant impact on the growth of the Russian economy and on consumer purchasing behaviour.

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

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

The Group's revenue, earnings and balance sheet are affected by changes in exchange rates between the Group's reporting currency, the euro, and the Swedish krona, the Norwegian krone, the Russian rouble, the US dollar and certain other currencies. Currency fluctuations may have a significant effect on the Group's business operations. Financial risks, including risks arising from interest rate fluctuations, are managed in accordance with the risk policy confirmed by the Board of Directors.

OUTLOOK FOR 2014

The European economy is expected to improve slightly in 2014, but uncertainty will continue in the retail market, particularly in Finland. Purchasing power is expected to remain low, which will have a negative effect on consumer purchasing behaviour.

The Russian rouble has weakened considerably and economic growth in Russia is estimated to stay on a low level. As a consequence, the retail market outlook is expected to weaken.

The outlook for the affordable fashion market in Sweden is expected to improve slightly in 2014. The retail market in the Baltic countries is expected to remain relatively stable. Low consumer confidence may, however, affect consumers' willingness to make purchases in all market areas.

As a consequence of the uncertain outlook, Stockmann launched a cost savings programme in spring 2013. The programme will continue in 2014, focusing on long-term structural changes in order to adapt the cost structure to the slow growth and to improve performance.

The Group's capital expenditure is estimated to be lower than depreciation, and to amount to approximately EUR 60 million in 2014.

At comparable exchange rates, Stockmann expects the Group's revenue to increase slightly in 2014. Revenue growth is expected to take place in the second half of the year. Operating profit is expected to be somewhat higher than in 2013. The first-quarter operating result will be negative due to normal seasonal variation.

Corporate Governance Statement

Stockmann plc's Corporate Governance Statement has been published on the company's website stockmanngroup.com and on the pages 20–29 in the Annual Report.

Helsinki, Finland, 12 February 2014

STOCKMANN plc
Board of Directors

SHARES AND **SHARE CAPITAL**

The share capital of Stockmann plc is divided into Series A and Series B shares. Series A shares carry ten votes and Series B shares one vote. The par value of both series of shares is EUR 2.00 and the shares of both series entitle their holders to an equal dividend.

The company's shares are in the book-entry system and they are listed on NASDAQ OMX Helsinki. The trading code for the Series A share is STCAS and for the Series B share STCBV. The number of registered shareholders at 31 December 2013 was 59 475 (59 283 shareholders at 31 December 2012).

The company's market capitalization at 31 December 2013 was EUR 796.0 million (EUR 994.6 million at 31 December 2012).

SHARE OPTION PROGRAMMES

Stockmann has two option programmes on-going; Loyal Customer share option programme 2012 for Loyal Customers and Key employee share option programme 2010 for key employees in the Stockmann Group.

LOYAL CUSTOMER SHARE OPTIONS 2012

The Annual General Meeting held on 15 March 2012 approved the Board of Directors' proposal on granting share options to Stockmann's Loyal Customers. In accordance with the resolution of the Annual General Meeting, a maximum of 2 500 000 share options will be granted without consideration to Stockmann's Loyal Customers whose purchases in companies belonging to the Stockmann Group together with purchases originating from parallel cards directed to the same account during the time period 1 January 2012–31 December 2013 amounts to a total of at least EUR 6 000.

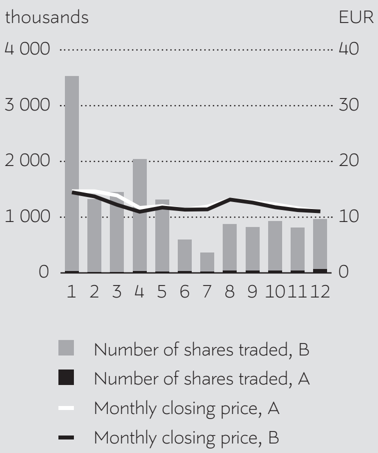
For purchases of at least EUR 6 000, a Loyal Customer will receive 20 share options without consideration. In addition, for each full EUR 500 by which the purchases exceed EUR 6 000, the Loyal Customer will receive two additional share options. The share subscription period for the Loyal Customer share options will be 2–31 May 2014 and 2–31 May 2015.

Each share option entitles its holder to subscribe for one of Stockmann Series B shares. The subscription price is the volume-weighted average price of the Series B share on the Helsinki exchange during the period 1–29 February 2012, or EUR 16.36. The subscription price of each share subscribed for based on the share options will be decreased on the record date for each dividend payout by the amount of dividends decided after the commencement of the determination period for the subscription price and prior to the share subscription. The subscription price after the dividend payout proposed by the Board of Directors for the 2013 financial year is EUR 14.86 per share.

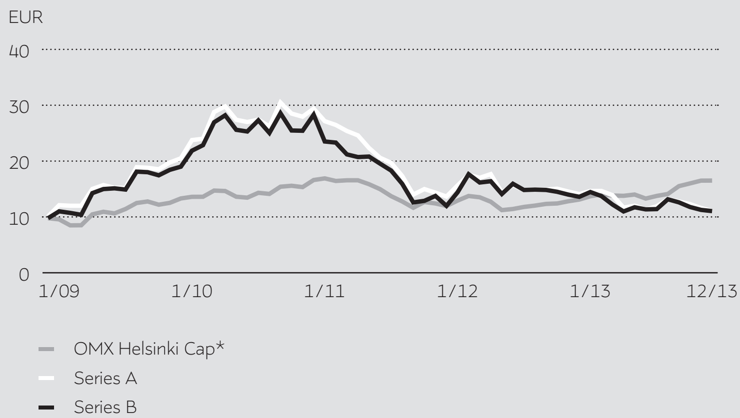
KEY EMPLOYEE SHARE OPTIONS 2010

The Annual General Meeting held on 16 March 2010 approved the Board of Directors' proposal on granting share options to key employees of the Stockmann Group. In accordance with the resolution of the Annual General Meeting, a total of 1 500 000 share options can be granted to the key employees of Stockmann and its subsidiaries. Of the share options 500 000 will be marked with the identifier 2010A, 500 000 with the identifier 2010B, and 500 000 with the identifier 2010C. The share subscription period for the share options 2010A will be 1 March 2013–31 March 2015, for share options

TURNOVER AND PRICE TREND OF SERIES A AND SERIES B SHARES 2013



PRICE TREND OF SERIES A AND SERIES B SHARES COMPARED WITH OMX HELSINKI CAP INDEX 2009–2013



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

2010B 1 March 2014–31 March 2016 and for share options 2010C 1 March 2015–31 March 2017.

Each share option entitles its holder to subscribe for one Stockmann Series B share. The share subscription price relating to the share options 2010A shall be the trade volume weighted average price of the company's Series B shares on the Helsinki exchange during the period 1–28 February 2010 increased by 20 per cent or EUR 26.41, the share options 2010B the trade volume weighted average price of the company's Series B shares on the Helsinki exchange during the period 1–28 February 2011 increased by 10 per cent or EUR 25.72, and the share options 2010C the trade volume weighted average price of the company's Series B shares on the Helsinki exchange during the period 1–29 February 2012 increased by 10 per cent or EUR 18.00. The subscription price of each share subscribed for based on the share options will be decreased on the record date for each dividend payout by the amount of dividends decided after the commencement of the determination period for the subscription price and prior to the share subscription. The subscription prices after the dividend payout proposed by the Board of Directors for the 2013 financial year is EUR 23.37 per share for to the share options 2010A, EUR 23.40 per share for to the share options 2010B and EUR 16.50 per share for the share option 2010C.

OWN SHARES

At 31 December 2013, the company did not hold any of its own shares, and the Board of Directors had no valid authorisations to purchase shares of the company.

PRICE TREND OF SHARES

	Closing prices Dec. 31, 2013 EUR	Closing prices Dec. 31, 2012 EUR	Change %
Series A	11.06	14.08	–21.4
Series B	11.04	13.60	–18.8

TURNOVER OF SHARES AND OPTIONS 2013 ON THE HELSINKI STOCK EXCHANGE

	Number of shares	% of total shares outstanding	EUR	Average price EUR
Series A	446 890	1.5	5 592 287	12.51
Series B	14 564 311	35.1	183 017 894	12.50
Option 2010A	21 000		1 530	0.07
Total	15 032 201		188 611 711	

SHARE CAPITAL, 31 DECEMBER 2013

Series A	30 595 765	shares at EUR 2 each	61 191 530	EUR
Series B	41 452 918	shares at EUR 2 each	82 905 836	EUR
Total	72 048 683		144 097 366	EUR

CHANGES IN THE SHARE CAPITAL AS FROM 1 JANUARY 2009

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

COMING SUBSCRIPTIONS WITH SHARE OPTIONS*

		Subscription period	Subscription price, EUR **	Number of new B-shares, thousands	Holding %	Proportion of votes %
2013–2015	With the 2010A Key employee options	1 March 2013–31 March 2015	23.37	418		
2014–2016	With the 2010B Key employee options	1 March 2014–31 March 2016	23.40	315.4		
2015–2017	With the 2010C Key employee options	1 March 2015–31 March 2017	16.50	330	1.4	0.3
2014–	With the 2012 Loyal Customer options	2 May 2014–31 May 2014				
2015		2 May 2015–31 May 2015	14.86	2 500	3.3	0.7

** If all options are exercised*
*** Subscription price after 2013 dividend payout proposed by the Board of Directors*

OWNERSHIP STRUCTURE, 31 DECEMBER 2013

	Number	Shareholders %	Percentage of shares %	Percentage of votes %
Households	57 587	96.8	23.6	17.0
Private and public corporations	1 149	1.9	24.7	25.1
Foundations and associations	490	0.8	41.6	55.4
Nominee registrations (incl. foreign shareholders)	202	0.4	7.1	1.9
Financial and insurance companies	47	0.1	3.0	0.6
Unregistered shares		0.0	0.0	0.0
Total	59 475	100.0	100.0	100.0

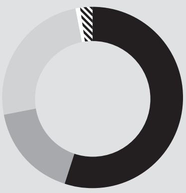
NUMBER OF SHARES, 31 DECEMBER 2013

	Number	Shareholders %	Percentage of shares %	Percentage of votes %
1–100	37 526	63.1	2.0	0.7
101–1 000	18 234	30.6	8.6	5.3
1 001–10 000	3 438	5.8	11.5	6.5
10 001–100 000	233	0.4	8.2	4.0
100 001–1 000 000	32	0.1	17.4	19.0
1 000 001–	12	0.0	52.3	64.5
Total	59 475	100.0	100.0	100.0

MAJOR SHAREHOLDERS, 31 DECEMBER 2013

		Percentage of shares %	Percentage of votes %
1	HTT STC Holding Oy Ab	11.7	10.7
2	Föreningen Konstsamfundet Grouping	9.4	15.1
3	Society of Swedish Literature in Finland	7.6	15.7
4	Niemistö Grouping	5.8	9.4
5	Stiftelsen för Åbo Akademi	4.3	6.7
6	Etola Group	4.2	6.1
7	Varma Mutual Pension Insurance Company	3.1	0.6
8	Samfundet Folkhälsan i Svenska Finland r.f.	2.2	2.7
9	Jenny ja Antti Wihuri Foundation	1.9	2.1
10	Inez och Julius Polins Fond	1.5	0.8
11	Sigrid Jusélius Foundation	1.3	2.7
12	The State Pension Fund	1.3	0.3
13	Ilmarinen Mutual Pension Insurance Company	1.2	0.7
14	Wilhelm och Else Stockmanns Stiftelse	1.1	2.2
15	Helene och Walter Grönqvists Stiftelse	0.8	1.4
16	Stiftelsen Bensows Barnhem Granhyddan r.s.	0.8	1.0
17	Danske Invest Finnish Institutional Equity Fund	0.5	0.1
18	William Thurings Foundation	0.5	0.7
19	The Finnish Cultural Foundation	0.4	0.1
20	Alfred Berg Mutual Fund	0.4	0.1
	Other	40.0	20.8
Total		100.0	100.0

DISTRIBUTION OF VOTES 2013



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

DISTRIBUTION OF SHARES 2013

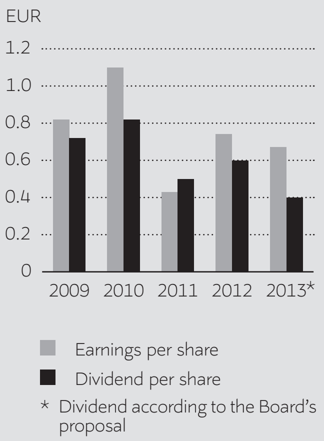
- 42% Foundations and associations
- 23% Households
- 25% Private and public corporations
- 3% Banks and insurance companies
- 7% Nominee registrations (incl. foreign shareholders)

PER-SHARE **DATA**

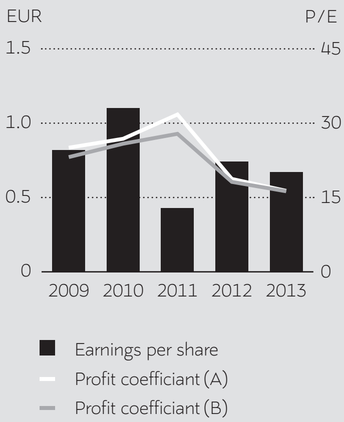
		2013	2012	2011	2010	2009
Earnings per share	EUR	**0.67**	0.74	0.43	1.10	0.82
Earnings per share, diluted	EUR	**0.67**	0.74	0.43	1.09	0.81
Equity per share	EUR	**12.42**	12.40	12.11	12.45	11.94
Dividend per share *	EUR	**0.40**	0.60	0.50	0.82	0.72
Dividend per earnings *	%	**59.5**	80.6	116.2	74.5	88.0
Cash flow per share	EUR	**1.74**	1.72	0.93	1.29	2.23
Effective dividend yield *	%					
A share		**3.6**	4.3	3.7	2.8	3.5
B share		**3.6**	4.4	4.2	2.9	3.8
P/E ratio of shares						
A share**		**16.5**	18.9	31.9	26.7	25.0
B share**		**16.4**	18.3	28.0	25.7	23.2
Share quotation at 31 December	EUR					
A share		**11.06**	14.08	13.65	29.40	20.50
B share		**11.04**	13.60	11.98	28.30	19.00
Highest price during the period	EUR					
A share		**15.20**	19.50	29.85	31.50	22.00
B share		**14.92**	18.68	28.48	30.50	20.00
Lowest price during the period	EUR					
A share		**11.00**	13.40	13.44	20.60	10.68
B share		**10.75**	12.12	11.60	18.85	9.63
Average price during the period	EUR					
A share		**12.51**	15.57	18.71	26.97	16.11
B share		**12.50**	15.19	18.68	25.41	14.80
Share turnover	thousands					
A share		**447**	436	476	1 022	512
B share		**14 564**	11 308	15 402	14 582	17 290
Share turnover	%					
A share		**1.5**	1.4	1.6	3.3	1.7
B share		**35.1**	27.3	37.4	36.0	42.7
Market capitalization at 31 December	EUR mill.	**796.0**	994.6	911.8	2 047.1	1 396.7
Number of shares at 31 December	thousands	**72 049**	72 049	71 841	71 146	71 094
A share		**30 596**	30 628	30 628	30 628	30 628
B share		**41 453**	41 421	41 213	40 518	40 466
Weighted average number of shares	thousands	**72 049**	71 945	71 496	71 120	65 676
A share		**30 601**	30 628	30 628	30 628	28 373
B share		**41 448**	41 318	40 868	40 493	37 303
Weighted average number of shares, diluted	thousands	**72 049**	71 945	71 789	71 897	65 995
Total number of shareholders at 31 December	no	**59 475**	59 283	56 116	44 596	43 929

** Board's proposal to the AGM. According to the proposal, a dividend of EUR 0.40 per share will be paid.*
*** The dilution effect of options has been taken into account in the 2011 figures.*

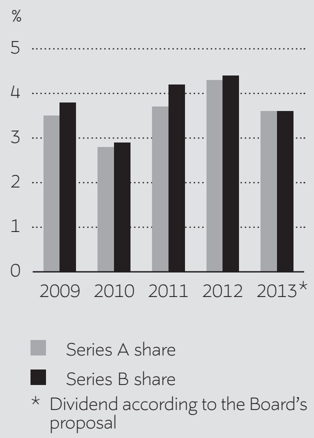
EARNINGS PER SHARE AND DIVIDEND PER SHARE 2009–2013



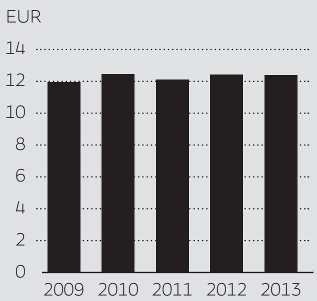
EARNINGS PER SHARE AND P/E RATIO 2009–2013



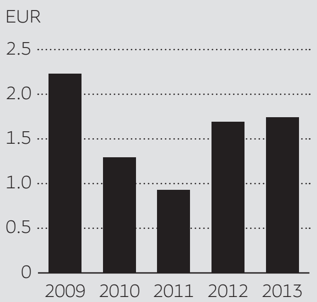
EFFECTIVE DIVIDEND YIELD 2009–2013



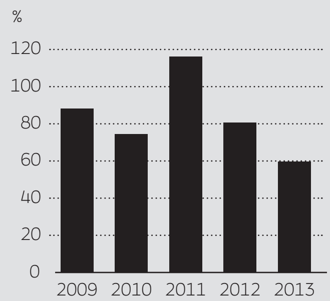
EQUITY PER SHARE 2009–2013



CASH FLOW PER SHARE 2009–2013



DIVIDEND PER EARNINGS 2009–2013



DEFINITION OF PER-SHARE DATA

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

Share quotation at 31 December	=	Share quotation on the balance sheet date
Highest share price during the period	=	Highest price of the company's shares during the period
Lowest share price during the period	=	Lowest price of the company's shares during the period
Average share price over the period	=	Share turnover in euro 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

KEY **FIGURES**

		2013	2012	2011	2010	2009
Revenue	EUR mill.	**2 037.1**	2 116.4	2 005.3	1 821.9	1 698.5
Change on the previous year	%	**-3.7**	5.5	10.1	7.3	-9.6
Operating profit	EUR mill.	**54.4**	87.3	70.1	88.8	85.1
Change on the previous year	%	**-37.7**	24.6	-21.0	4.4	-30.2
Share of revenue	%	**2.7**	4.1	3.5	4.9	5.0
Profit before taxes	EUR mill.	**26.8**	54.9	35.7	74.2	61.1
Change on the previous year	%	**-51.2**	54.0	-51.9	21.5	-14.9
Share of revenue	%	**1.3**	2.6	1.8	4.1	3.6
Profit for the period		**48.4**	53.6	30.8	78.3	53.8
Share capital	EUR mill.	**144.1**	144.1	143.7	142.3	142.2
A share	EUR mill.	**61.3**	61.3	61.3	61.3	61.3
B share	EUR mill.	**82.8**	82.8	82.4	81.0	80.9
Dividends*	EUR mill.	**28.8**	43.2	35.9	58.3	51.2
Return on equity	%	**5.4**	6.1	3.5	9.0	7.0
Return on capital employed	%	**3.4**	5.1	4.1	5.8	5.8
Capital employed	EUR mill.	**1 725.8**	1 737.1	1 715.7	1 668.5	1 551.0
Capital turnover rate		**1.2**	1.2	1.2	1.1	1.1
Inventories rate		**3.7**	3.8	3.9	3.8	4.9
Equity ratio	%	**43.8**	42.8	42.2	43.1	44.1
Net gearing	%	**87.3**	90.9	95.3	87.7	72.2
Investment in fixed assets	EUR mill.	**56.9**	60.3	66.0	165.4	152.8
Share of revenue	%	**2.8**	2.8	3.3	9.1	9.0
Interest-bearing debtors	EUR mill.	**43.2**	43.8	45.6	41.4	44.5
Interest-bearing liabilities	EUR mill.	**814.8**	848.5	862.5	813.3	789.2
Interest-bearing net debt	EUR mill.	**735.3**	768.6	783.7	735.1	568.3
Total assets	EUR mill.	**2 044.6**	2 087.1	2 062.7	2 053.8	1 925.7
Staff expenses	EUR mill.	**397.8**	405.1	390.0	361.9	327.4
Share of revenue	%	**19.5**	19.1	19.4	19.9	19.3
Personnel, average	persons	**14 963**	15 603	15 964	15 165	14 656
Revenue per person	EUR thousands	**136.1**	135.6	125.6	120.1	115.9
Operating profit per person	EUR thousands	**3.6**	5.6	4.4	5.9	5.8
Staff expenses per person	EUR thousands	**26.6**	26.0	24.4	23.9	22.3

** Board's proposal to the AGM. According to the proposal, a dividend of EUR 0.40 per share will be paid.*

DEFINITION OF KEY FIGURES

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

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

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

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

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

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

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

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

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

CONSOLIDATED **INCOME STATEMENT**

EUR mill.	1.1.–31.12.2013	1.1.–31.12.2012
REVENUE	**2 037.1**	**2 116.4**
Other operating income	**0.0**	0.6
Materials and consumables	**−1 046.9**	−1 069.2
Wages, salaries and employee benefits expenses	**−397.8**	−405.1
Deprecation, amortisation and impairment losses	**−74.4**	−74.5
Other operating expenses	**−463.6**	−480.9
Total expenses	**−1 982.7**	**−2 029.7**
OPERATING PROFIT	**54.4**	**87.3**
Finance income	**4.5**	1.8
Finance expenses	**−32.1**	−34.2
Total finance income and expenses	**−27.6**	**−32.4**
PROFIT BEFORE TAX	**26.8**	**54.9**
Income taxes	**21.6**	−1.4
PROFIT FOR THE PERIOD	**48.4**	**53.6**
Profit for the period attributable to:		
Equity holders of the parent company	**48.4**	53.6
Non-controlling interest	**0.0**	0.0
EPS, undiluted, adjusted for share issue, EUR	**0.67**	**0.74**
EPS, diluted, adjusted for share issue, EUR	**0.67**	**0.74**

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

EUR mill.	1.1.–31.12.2013	1.1.–31.12.2012
PROFIT FOR THE PERIOD	**48.4**	**53.6**
Net other comprehensive income which will not be reclassified to profit or loss in subsequent periods		
Remeasurement gains/losses on defined benefit pension liability	**0.1**	**−0.1**
Net other comprehensive income which will be reclassified to profit or loss in subsequent periods		
Exchange differences on translating foreign operations	**−5.8**	4.4
Cash flow hedges	**0.5**	−2.7
Other comprehensive income for the period, net of tax	**−5.3**	**1.6**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**43.1**	**55.2**
Total comprehensive income attributable to:		
Equity holders of the parent company	**43.1**	55.2
Non-controlling interest	**0.0**	0.0

CONSOLIDATED STATEMENT OF **FINANCIAL POSITION**

EUR mill.	**31.12.2013**	31.12.2012
ASSETS		
NON-CURRENT ASSETS		
Intangible assets		
Trademark	**102.6**	106.2
Intangible rights	**38.8**	25.3
Other intangible assets	**3.1**	0.4
Advance payments and construction in progress	**24.0**	25.4
Goodwill	**793.2**	818.8
Intangible assets, total	**961.8**	**976.1**
Property, plant and equipment		
Land and water	**42.1**	42.2
Buildings and constructions	**440.4**	456.9
Machinery and equipment	**95.8**	112.1
Modification and renovation expenses for leased premises	**32.4**	37.8
Advance payments and construction in progress	**5.8**	6.2
Property, plant and equipment, total	**616.5**	**655.1**
Non-current receivables	**0.5**	**1.1**
Available-for-sale investments	**7.9**	**5.0**
Deferred tax asset	**17.3**	**16.1**
NON-CURRENT ASSETS, TOTAL	**1 604.0**	**1 653.3**
CURRENT ASSETS		
Inventories	**285.8**	**281.4**
Current receivables		
Interest-bearing receivables	**43.1**	43.8
Income tax receivables	**0.8**	0.6
Non-interest-bearing receivables	**76.9**	71.8
Current receivables, total	**120.9**	**116.2**
Cash and cash equivalents	**33.9**	**36.1**
CURRENT ASSETS, TOTAL	**440.6**	**433.7**
ASSETS, TOTAL	**2 044.6**	**2 087.1**

EUR mill.	31.12.2013	31.12.2012
EQUITY AND LIABILITIES		
EQUITY		
Share capital	**144.1**	144.1
Share premium fund	**186.1**	186.1
Invested unrestricted equity fund	**250.5**	250.5
Other funds	**43.4**	42.9
Translation reserve	**4.1**	10.0
Retained earnings	**266.8**	259.7
Equity attributable to equity holders of the parent company	**894.9**	**893.3**
Non-controlling interest	**0.0**	**0.0**
EQUITY, TOTAL	**894.9**	**893.3**
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**61.5**	66.4
Non-current interest-bearing liabilities	**469.4**	502.9
Provisions for pensions	**0.1**	0.3
Non-current non-interest-bearing liabilities and provisions	**0.4**	0.4
NON-CURRENT LIABILITIES, TOTAL	**531.4**	**570.0**
CURRENT LIABILITIES		
Current interest-bearing liabilities	**345.4**	**345.6**
Current non-interest-bearing liabilities		
Trade payables and other current liabilities	**269.4**	275.7
Income tax liabilities	**3.3**	2.0
Current provisions	**0.2**	0.4
Current non-interest-bearing liabilities, total	**272.8**	**278.1**
CURRENT LIABILITIES, TOTAL	**618.3**	**623.8**
LIABILITIES, TOTAL	**1 149.7**	**1 193.8**
EQUITY AND LIABILITIES, TOTAL	**2 044.6**	**2 087.1**

CONSOLIDATED **CASH FLOW STATEMENT**

EUR mill.	1.1.–31.12.2013	1.1.–31.12.2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	**48.4**	53.6
Adjustments for:		
Depreciation, amortisation and impairment losses	**74.4**	74.5
Gains (-) and losses (+) of disposals of fixed assets and other non-current assets	**0.6**	–0.4
Interest and other financial expenses	**32.1**	34.2
Interest income	**–4.5**	–1.8
Income taxes	**–21.6**	1.4
Other adjustments	**0.5**	2.1
Working capital changes:		
Increase (-) /decrease (+) in inventories	**6.8**	–12.8
Increase (-) / decrease (+) in trade and other current receivables	**0.5**	6.5
Increase (+) / decrease (-) in current liabilities	**–4.8**	–6.2
Interest expenses paid	**–26.4**	–33.3
Interest received from operating activities	**4.3**	0.4
Other financing items from operating activities	**–1.8**	–0.5
Income taxes paid from operating activities	**17.0**	6.0
Net cash from operating activities	**125.4**	**123.7**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible and intagible assets	**–61.1**	–54.1
Proceeds from sale of tangible and intangible assets	**0.0**	1.5
Dividends received from investing activities	**0.2**	0.2
Net cash used in investing activities	**–60.9**	**–52.4**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issue	**0.0**	1.6
Proceeds from current liabilities	**324.0**	268.1
Repayment of current liabilities	**–316.2**	–263.7
Proceeds from non-current liabilities	**86.4**	248.0
Repayment of non-current liabilities	**–114.9**	–287.3
Payment of finance lease liabilities	**–4.7**	–2.5
Dividends paid	**–43.1**	–35.9
Net cash used in financing activities	**–68.5**	**–71.7**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**–4.0**	**–0.4**
Cash and cash equivalents at the beginning of the period	**36.1**	33.2
Cheque account with overdraft facility	**–3.9**	–0.1
Cash and cash equivalents at the beginning of the period	**32.2**	**33.2**
Net increase/decrease in cash and cash equivalents	**–4.0**	–0.4
Effects of exchange rate fluctuations on cash held	**–0.4**	–0.6
Cash and cash equivalents at the end of the period	**33.9**	36.1
Cheque account with overdraft facility	**–6.1**	–3.9
Cash and cash equivalents at the end of the period	**27.8**	**32.2**

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

EUR mill.	Share capital	Share premium fund	Hedging reserve*	Reserve for unrestricted equity	Other reserves	Translation differences	Retained earnings	Total	Non-controlling interest	Total
SHAREHOLDERS' EQUITY 1.1.2012	**143.7**	**186.1**	**1.7**	**249.2**	**43.9**	**5.6**	**239.7**	**869.9**	**0.0**	**869.9**
Dividend distribution							-35.9	**-35.9**		**-35.9**
Share issue	0.4							**0.4**		**0.4**
Options exercised							2.4	**2.4**		**2.4**
Share premium				1.2				**1.2**		**1.2**
Other changes							-0.0	**-0.0**		**-0.0**
Comprehensive income for the period										
Profit for the period							53.6	**53.6**		**53.6**
Remeasurement gains/losses on defined benefit pension liability							-0.1	**-0.1**		**-0.1**
Exchange differences on translating foreign operations						4.4		**4.4**		**4.4**
Cash flow hedges			-2.7					**-2.7**		**-2.7**
Total comprehensive income for the period*			-2.7			4.4	53.5	**55.2**		**55.2**
SHAREHOLDERS' EQUITY 31.12.2012	**144.1**	**186.1**	**-1.0**	**250.5**	**43.9**	**10.0**	**259.7**	**893.3**	**0.0**	**893.3**

EUR mill.	Share capital	Share premium fund	Hedging reserve*	Reserve for unrestricted equity	Other reserves	Translation differences	Retained earnings	Total	Non-controlling interest	Total
SHAREHOLDERS' EQUITY 1.1.2013	**144.1**	**186.1**	**-1.0**	**250.5**	**43.9**	**10.0**	**259.7**	**893.3**	**0.0**	**893.3**
Dividend distribution							-43.2	**-43.2**		**-43.2**
Options exercised							1.9	**1.9**		**1.9**
Other changes	0.0	0.0					-0.1	**-0.1**		**-0.1**
Comprehensive income for the period										
Profit for the period							48.4	**48.4**		**48.4**
Remeasurement gains/losses on defined benefit pension liability							0.1	**0.1**		**0.1**
Exchange differences on translating foreign operations						-5.8		**-5.8**		**-5.8**
Cash flow hedges			0.5					**0.5**		**0.5**
Total comprehensive income for the period*			0.5			-5.8	48.5	**43.1**		**43.1**
SHAREHOLDERS' EQUITY 31.12.2013	**144.1**	**186.1**	**-0.5**	**250.5**	**43.9**	**4.1**	**266.8**	**894.9**	**0.0**	**894.9**

** Adjusted with deferred tax*

BOARD PROPOSAL FOR THE **DISTRIBUTION OF PROFIT**

The parent company's distributable funds according to the balance sheet at December 31, 2013, were EUR 394.2 million.

According to the Parent Company Balance Sheet at December 31, 2013, the following amounts are at disposal of the Annual General Meeting:

• Retained earnings, including the Contingency fund and the Reserve for invested unrestricted equity	378 937 661.53
• Net profit for the financial year	15 232 169.68
	394 169 831.21

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

• on the 72 048 683 shares owned by external parties be paid a dividend of EUR 0.40 per share for the financial year 2013	28 819 473.20
• to be carried forward to the Contingency fund, Reserve for invested unrestricted equity and Retained earnings	365 350 358.01
	394 169 831.21

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, 12 February 2014

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

Board of directors

Christoffer Taxell

Eva Liljebom	Kari Niemistö	Per Sjödell	Kjell Sundström
Charlotta Tallqvist-Cederberg	Carola Teir-Lehtinen	Dag Wallgren	

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, 2013. 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, 17 February 2014

Jari Härmälä	Anders Lundin
Authorized Public Accountant	Authorized Public Accountant

INFORMATION **PER QUARTER**

CONSOLIDATED INCOME STATEMENT PER QUARTER

EUR mill.	**Q4 2013**	Q3 2013	Q2 2013	Q1 2013	**Q4 2012**	Q3 2012	Q2 2012	Q1 2012
Revenue	**607.8**	454.4	543.6	431.3	**643.8**	485.1	537.2	450.3
Other operating income	**0.0**	0.0	0.0	0.0	**0.6**	0.0	0.0	0.0
Materials and consumables	**-307.1**	-229.6	-276.5	-233.7	**-325.3**	-239.5	-270.2	-234.2
Wages, salaries and employee benefits expenses	**-106.2**	-89.6	-101.7	-100.3	**-111.0**	-94.5	-101.0	-98.6
Depreciation, amortisation and impairment losses	**-19.2**	-18.4	-18.3	-18.6	**-19.0**	-19.0	-18.1	-18.4
Other operating expenses	**-127.0**	-106.2	-117.0	-113.4	**-132.4**	-115.0	-118.3	-115.3
Operating profit	**48.3**	10.7	30.1	-34.6	**56.8**	17.1	29.7	-16.2
Finance income	**0.3**	3.8	-1.0	1.4	**-0.5**	1.0	0.9	0.4
Finance expenses	**-9.3**	-7.9	-7.5	-7.4	**-8.2**	-8.5	-8.4	-9.1
Total financial income and expenses	**-9.0**	-4.1	-8.5	-6.0	**-8.7**	-7.5	-7.5	-8.7
Profit before tax	**39.3**	6.5	21.6	-40.7	**48.2**	9.6	22.2	-24.9
Income taxes	**-2.8**	22.4	-2.1	4.1	**-0.4**	-1.4	-3.6	4.0
Profit for the period	**36.5**	28.9	19.5	-36.5	**47.7**	8.1	18.6	-20.9

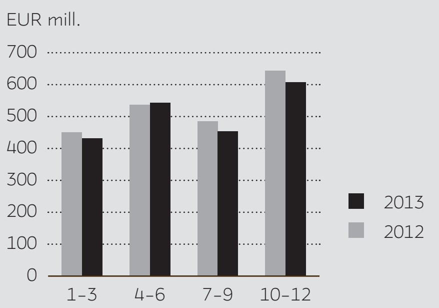
EARNINGS PER SHARE PER QUARTER

EUR	**Q4 2013**	Q3 2013	Q2 2013	Q1 2013	**Q4 2012**	Q3 2012	Q2 2012	Q1 2012
Undiluted	**0.51**	0.40	0.27	-0.51	**0.66**	0.11	0.26	-0.29
Diluted	**0.51**	0.40	0.27	-0.51	**0.66**	0.11	0.26	-0.29

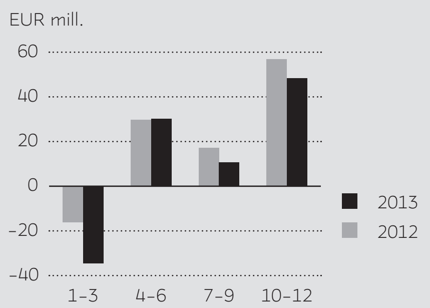
SEGMENT INFORMATION PER QUARTER

EUR mill.	**Q4 2013**	Q3 2013	Q2 2013	Q1 2013	**Q4 2012**	Q3 2012	Q2 2012	Q1 2012
Revenue								
Department Store Division	**392.1**	245.2	325.1	270.2	**423.5**	272.7	326.0	280.5
Fashion Chain Division	**215.9**	209.4	218.7	161.3	**221.0**	212.3	211.1	169.6
Unallocated	**-0.1**	-0.2	-0.2	-0.2	**-0.7**	0.1	0.2	0.1
Group total	**607.8**	454.4	543.6	431.3	**643.8**	485.1	537.2	450.3
Operating profit								
Department Store Division	**34.0**	-3.6	11.6	-15.9	**41.6**	2.8	10.2	-6.5
Fashion Chain Division	**17.6**	16.1	22.3	-17.4	**19.2**	16.1	21.8	-7.2
Unallocated	**-3.3**	-1.8	-3.8	-1.3	**-4.0**	-1.8	-2.3	-2.5
Group total	**48.3**	10.7	30.1	-34.6	**56.8**	17.1	29.7	-16.2

REVENUE BY QUARTER 2012–2013



OPERATING PROFIT BY QUARTER 2012–2013



INFORMATION ON **MARKET AREAS**

Revenue, EUR mill.	**1.1.–31.12.2013**	1.1.–31.12.2012
Finland [1)]	**983.2**	1 048.2
Sweden and Norway [2)]	**548.2**	537.9
Baltic countries and Central Europe [1)] *	**159.9**	158.5
Russia and Ukraine [1)]	**345.7**	371.8
Group total	**2 037.1**	2 116.4
Finland %	**48.3%**	49.5%
International operations %	**51.7%**	50.5%

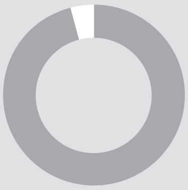
Operating profit, EUR mill. **	**1.1.–31.12.2013**	1.1.–31.12.2012
Finland [1)]	**−0.9**	23.7
Sweden and Norway [2)]	**59.0**	56.5
Baltic countries and Central Europe [1)] *	**2.7**	6.4
Russia and Ukraine [1)]	**−6.4**	0.8
Group total	**54.4**	87.3
Finland %	**−1.7%**	27.1%
International operations %	**101.7%**	72.9%

1) Department Store Division, Fashion Chain Division
2) Fashion Chains Division
** Estonia, Latvia, Lithuania, Czech Republic, Slovakia, Poland*
*** Includes re-allocation of purchasing office costs.*

REVENUE BY MARKET 2013

- 48% Finland
- 27% Sweden and Norway
- 17% Russia
- 8% Baltic countries and Central Europe

OPERATING PROFIT BY MARKET 2013



- 0% Finland
- 96% Sweden and Norway
- 0% Russia
- 4% Baltic countries and Central Europe

REVENUE BY DIVISION 2013

- 60% Department Store Division
- 40% Fashion Chain Division

OPERATING PROFIT BY DIVISION 2013

- 40% Department Store Division
- 60% Fashion Chain Division

INFORMATION FOR SHAREHOLDERS

ANNUAL GENERAL MEETING

The 2014 Annual General Meeting of the shareholders of Stockmann plc will be held on Thuesday 18 March 2014 at 2.00 p.m. in the Concert Hall of Finlandia Hall at the address Mannerheimintie 13, Helsinki, Finland.

The Annual General Meeting approves the company's annual financial statements, decides on the dividend and the election of members of the Board of Directors, among other things.

Registrations for the meeting must be received no later than on 10 March 2014 at 4.00 p.m. on the company's website or by telephone +358 9 121 3522. Those shareholders are entitled to participate in the Annual General Meeting, who have been entered on 6 March 2014 as shareholders in the Shareholder Register kept by Euroclear Finland Ltd. The possible use of assistants should be notified in connection with the registration. Read more on matters related to the Annual General Meeting on the company's website stockmanngroup.com:

- Notice to convene the Annual General Meeting
- Registration for the Annual General Meeting
- Proposals for the Annual General Meeting.

PAYMENT OF DIVIDEND

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.40 per share be paid for the 2013 financial year. The dividend decided by the Annual General Meeting will be paid to a shareholder who on the record date for dividend payment has been entered in the Shareholder Register kept by Euroclear Finland Ltd.

FINANCIAL PUBLICATIONS

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

Stockmann also publishes a CSR report, which provides information about the Group's responsibility work. The 2013 CSR report will be published in April 2014 on the company's website.

CHANGES IN NAME AND ADDRESS

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

CONTACT INFORMATION

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Corporate Communications
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linkedin.com/company/stockman-oyj-abp

STOCKMANN'S FINANCIAL REPORTS IN 2014

January–March interim report	29 April 2014
January–June interim report	13 August 2014
January–September interim report	29 October 2014
In addition monthly revenue releases are published	

IMPORTANT DATES RELATING TO THE ANNUAL GENERAL MEETING

Annual General Meeting record date	6 March 2014
Registration for Annual General Meeting ends	10 March 2014
Annual General Meeting	18 March 2014
Record date for dividend payment	21 March 2014
Dividend payment date proposed by the Board of Directors	16 April 2014

The CSR report will be published in April 2014.

Read more about the responsibility at the address **stockmanngroup.com/csr**

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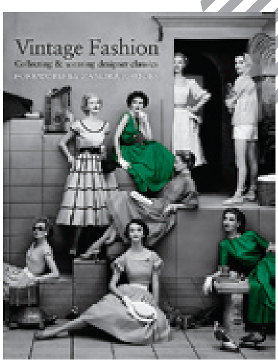

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