STOCKMANN plc

Financial statements

31.12.2010

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BOARD’S REPORT ON OPERATIONS

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

Revenue and earnings

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

There was no other operating income during the financial year.

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

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

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

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

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

Revenue and earnings performance by operating segment

Department Store Division

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

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

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

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

Lindex

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

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

Seppälä

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

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

Financing and capital employed

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

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

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

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

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

Dividends

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

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

Capital expenditure

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

Department Store Division

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

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

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

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

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

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

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

Lindex

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

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

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

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

Seppälä

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

Seppälä's capital expenditure totalled EUR 4.7 million.

Other capital expenditure and changes in the Group's structure

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

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

New projects

Department Store Division

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

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

Towards the end of 2010, the Department Store Division's Russian warehousing functions moved to new, modern leased premises in the north-west part of Moscow. The total floorspace of the new warehouse is more than 10 000 square metres. The new warehouse is to be in full operation in spring 2011. Capital expenditure on the new warehouse is approximately EUR 3.5 million.

In December 2010, a decision was taken by the Department Store Division to acquire a new enterprise resource planning (ERP) system. The aim is that this major system project, which will take several years to complete, will be started during spring 2011. Approximately EUR 10 million of the project's total capital expenditure is estimated to be spent in 2011.

Lindex

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

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

Seppälä

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

Other capital expenditure

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

Shares and share capital

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

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

A total of 52 047 Stockmann Series B shares with a nominal value of EUR 2 were subscribed with Stockmann Loyal Customer share options in May 2010. The shares were registered in the Trade Register and became subject to public trading alongside the old shares on NASDAQ OMX Helsinki Ltd on 30 June 2010. As a consequence of the subscriptions the share capital was increased by EUR 104 094.

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

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

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

Personnel

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

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

2009 and EUR 279.8 million in 2008). The extended Sunday opening hours in the retail trade in Finland as of 1 January 2010 meant an increase in total hours of work performed and in the pay accrued.

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

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

Risk factors

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

Business risks in Russia are greater than in the Nordic countries or the Baltic countries, and the operating environment is less stable owing to factors such as the undeveloped state of business culture and the country's infrastructure. The role of the grey economy, particularly in the importation of consumer goods, is still considerable and plays a part in distorting competition. Russia's possible membership of the World Trade Organisation (WTO) would probably bring greater clarity to the competition environment, for instance via reductions in excise duties. The Russian economy began to grow strongly in the early part of 2010 as energy prices rose, and there was a strengthening of the country's currency. The trend in energy prices will have a significant impact on the development of the Russian economy in the next few years as well.

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

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

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

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

Outlook for 2011

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

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

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

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

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

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

Corporate governance

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

Helsinki, Finland, February 9, 2011

STOCKMANN plc
Board of Directors

Shares and share capital

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

The company's shares are in the book-entry system and they are listed on the Helsinki exchange. The number of registered shareholders at 31 December 2010 was 44 596 (43 929 shareholders at 31 December 2009) representing 99.9 per cent of the company's shares outstanding.

Share price trend

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

Price trend of Stockmann's shares and options

	Closing prices Dec. 31, 2010 EUR	**Closing prices Dec. 31, 2009 EUR**	**Change %**
Series A	29,40	20,50	43,4
Series B	28,30	19,00	48,9
Option 2006B	0,40		
Option 2006C	3,16		

Turnover of Stockmann's shares and options

	Number **of shares**	**% of total shares** outstanding	EUR	**Average price** EUR
Series A	1 021 927	3,3	26 518 259	26,97
Series B	14 582 256	36,0	368 745 078	25,41
Option 2006B	15 500		6 205	0,40
Option 2006C	28 450		73 185	2,57
Total	15 648 133		395 342 727	

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

Share capital of Stockmann plc, 31 December 2010

Series A	30627563	shares at EUR 2 each	61255126	EUR
Series B	40518437	shares at EUR 2 each	81036874	EUR
Total	71 146 000		142 292 000	EUR

Loyal Customer share options 2006

The Annual General Meeting held on 21 March 2006 approved the Board of Directors' proposal on granting share options to Stockmann's Loyal Customers. In accordance with the resolution of the Annual General Meeting, a total maximum of 2 500 000 share options were granted to Stockmann's Loyal Customers without consideration. The share options were granted to Loyal Customers whose purchases during 1 January 2006 – 31 December 2007, together with purchases made on parallel cards for the same account were at least EUR 6 000 in total amount. For purchases of at least EUR 6 000 a Loyal Customer received 20 share options without consideration. In addition, for each full 500 euros by which the purchases exceed EUR 6 000, the Loyal Customer received two additional share options. The Loyal Customer purchases made by 31 December 2007 entitled to subscribe for a total of 1 998 840 share options. In the spring 2008, a total of 1 373 846 Loyal Customer share options were subscribed.

Each share option entitled its holder to subscribe for one of Stockmann plc Series B shares. The subscription price was the volume-weighted average price of the Series B share on the Helsinki exchange during the period 1 February – 28 February 2006, or EUR 33.35. The subscription price of a share to be subscribed for with the share options was lowered by the amount of Stockmann plc dividends paid after the end of the determination period for the share price, counting from the record date up to the date of the share subscription. The subscription price after the rights issue of 2009 and the dividend payout proposed by the Board of Directors for the 2009 financial year was EUR 27.93.

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

Key employee share options 2006

The Annual General Meeting held on 21 March 2006 approved the Board of Directors' proposal on granting share options to key employees of the Stockmann Group. A total of 1 500 000 share options will be granted to key employees belonging to the senior and middle management of Stockmann and its wholly-owned subsidiary. Of the share options, 375 000 will bear the marking 2006A, 375 000 the marking 2006B, 375 000 the marking 2006C, and 375 000 the marking 2006D. The subscription period for shares with share option 2006B is 1 March 2009 – 31 March 2011; with share option 2006C, 1 March 2010 – 31 March 2012; and with share option 2006D, 1 March 2011 – 31 March 2013. The subscription period with share option 2006A has expired. The subscription period for shares will not, however, commence with the 2006B and 2006D share options unless the criteria linked to the Group's financial targets as determined by the Board of Directors prior to the distribution of these share options have been met. Those share options 2006B and 2006D in respect of which the criteria determined by the Board of Directors have not been met shall lapse in the manner decided by the Board of Directors. Of 2006B share options 187 500 and of 2006D share options 360 000 have lapsed.

One share option will entitle its holder to subscribe for one Stockmann plc Series B share. The subscription price of the share with share options 2006A and 2006B will be the volume-weighted average price of the company's Series B share on the Helsinki exchange during 1 February – 28 February 2006, plus 10 per cent or EUR 36.69, and with share option 2006C and 2006D, the volume-weighted average price of the company's Series B share on the Helsinki exchange during 1 February – 29 February 2008, plus 10 per cent or EUR 31.02. On the record date for each dividend payout, the subscription price of the shares to be subscribed for with share options will be lowered by the amount of dividends declared after the commencement of the period for determining the subscription price and prior to the share subscription. The subscription price after the rights issue of 2009 and the dividend payout proposed by the Board of Directors for the 2010 financial year on the basis of share option B is EUR 30.45 per share and of share option C EUR 27.18 per share.

Loyal Customer share options 2008

The Annual General Meeting held on 18 March 2008 approved the Board of Directors' proposal on granting share options to Stockmann's Loyal Customers. In accordance with the resolution of the Annual General Meeting, a total maximum of 2 500 000 share options will be granted to Stockmann's Loyal Customers without consideration. The share options will be granted to Loyal Customers whose purchases during 1 January 2008 – 31 December 2009, together with purchases made on parallel cards for the same account are at least EUR 6 000 in total amount. For purchases of at least EUR 6 000, a Loyal Customer will receive 20 share options without consideration. In addition, for each full 500 euros by which the purchases exceed EUR 6 000, the Loyal Customer will receive two additional share options. The Loyal Customer purchases made by 31 December 2009 entitled to subscribe for a total of 1 803 322 share options. In 2010, a total of 1 248 819 Loyal Customer share options were subscribed.

Each share option entitles its holder to subscribe for one of Stockmann plc Series B shares. In accordance with the resolution of the Annual General Meeting on 17 March 2009, the subscription price is the volume-weighted average price of the Series B share on the Helsinki exchange during the period 1 February – 28 February 2009, or EUR 11.28. The subscription price of a share to be subscribed for with the share options will be lowered by the amount of Stockmann plc dividends paid after the end of the determination period for the share price, counting from the record date up to the date of the share subscription.

The subscription periods for the shares are in May in the years 2011 and 2012. The subscription price after the rights issue of 2009 and the dividend payout proposed by the Board of Directors for the 2010 financial year is EUR 8.79.

Key employee share options 2010

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

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

Own shares

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

Dividend policy

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

Key figures

		2006	2007	2008 **	2009 **	**2010**
Revenue	EUR mill.	1 300,7	1 398,2	1 878,7	1 698,5	**1 821,9**
Change on the previous year	%	-15,7	7,5	34,4	-9,6	**7,3**
Operating profit	EUR mill.	129,5	125,2	121,9	85,1	**88,8**
Change on the previous year	%	24,9	-3,4	-2,6	-30,2	**4,4**
Share of revenue	%	10,0	9,0	6,5	5,0	**4,9**
Profit before taxes	EUR mill.	128,9	119,4	71,7	61,1	**74,2**
Change on the previous year	%	25,4	-7,4	-39,9	-14,9	**21,5**
Share of revenue	%	9,9	8,5	3,8	3,6	**4,1**
Share capital	EUR mill.	111,7	112,2	123,4	142,2	**142,3**
Series A	EUR mill.	49,1	49,1	53,2	61,3	**61,3**
Series B	EUR mill.	62,6	63,1	70,2	80,9	**81,0**
Dividends *	EUR mill.	72,1	75,2	38,0	51,2	**58,3**
Return on equity	%	19,4	15,2	6,1	7,0	**9,0**
Return on capital employed	%	22,9	12,1	8,3	5,8	**5,8**
Capital employed	EUR mill.	573,8	1 047,2	1 481,7	1 551,0	**1 668,5**
Capital turnover rate		2,3	1,3	1,3	1,1	**1,1**
Inventories rate		5,0	4,3	4,4	4,9	**3,8**
Equity ratio	%	74,5	32,6	39,0	44,1	**43,1**
Net gearing	%	-6,3	146,9	107,6	72,2	**87,7**
Investment in fixed assets	EUR mill.	125,5	977,4	182,3	152,8	**165,4**
Share of net turnover	%	9,6	69,9	9,7	9,0	**9,1**
Interest-bearing debtors	EUR mill.	98,9	98,8	52,2	44,5	**41,4**
Interest-bearing liabilities	EUR mill.	23,4	905,6	775,7	789,2	**813,3**
Interest-bearing net debt	EUR mill.	-134,7	773,6	688,2	568,3	**735,1**
Total assets	EUR mill.	767,6	1 823,7	1 764,1	1 925,7	**2 053,8**
Staff expenses	EUR mill.	204,7	224,1	350,5	327,4	**361,9**
Share of net turnover	%	15,7	16,0	18,7	19,3	**19,9**
Personnel, average	persons	10 069	11 161	15 669	14 656	**15 165**
Net turnover per person	EUR thousands	129,2	125,3	119,9	115,9	**120,1**
Operating profit per person	EUR thousands	12,9	11,2	7,8	5,8	**5,9**
Staff expenses per person	EUR thousands	20,3	20,1	22,4	22,3	**23,9**

*) Board proposal to the AGM. According to the proposal, a dividend of EUR 0.82 per share will be paid.

**Restated financial periods 2008-2009 debugging

Per-share data

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

*) Board proposal to the AGM. According to the proposal, a dividend of EUR 0.82 per share will be paid.

**) The dilution effect of options has been taken into account in the 2010 figures.

***)2007 and 2008 restated due to right issue in 2009.

****Restated financial periods 2008-2009 debugging

Definition of key indicators

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

1) Without the own shares owned by the company

Consolidated Income Statement, EUR	Refe- rence	1-12/2010	Percentage of revenue	1-12/2009	Percentage of revenue
REVENUE		**1 821 864 879.83**	**100.0**	**1 698 458 740.48**	**100.0**
Other operating income	3	0.00	0.0	255 913.97	0.0
Raw material and consumables used		-947 548 633.76		-853 285 323.12	
Change in inventories, increase (-), decrease (+)		34 533 309.18		-27 701 403.47	
Raw materials and consumables used, total	4.30	-913 015 324.57	**50.1**	-880 986 726.59	**51.9**
Wages, salaries and employee benefits expenses	5	-361 892 319.96	19.9	-327 413 832.42	19.3
Depreciation, amortisation and impairment losses	6	-61 772 763.95	3.4	-58 413 891.84	3.4
Other operating expenses	7	-396 425 495.00	21.8	-346 847 935.90	20.4
Total expenses		-1 733 105 903.49	95.1	-1 613 662 386.76	95.0
OPERATING PROFIT		**88 758 976.35**	**4.9**	**85 052 267.69**	**5.0**
Financing income	8	8 220 897.93	0.5	4 402 144.47	0.3
Financing expenses	8	-22 805 454.28	1.3	-28 391 953.77	1.7
PROFIT BEFORE TAX		**74 174 420.01**	**4.1**	**61 062 458.39**	**3.6**
Income taxes	9	4 151 122.76	0.2	-7 304 056.06	0.4
PROFIT FOR THE PERIOD		**78 325 542.77**	**4.3**	**53 758 402.32**	**3.2**

Other comprehensive income		1-12/2010	1-12/2009
PROFIT FOR THE PERIOD		**78 325 542.77**	**53 758 402.32**
Other comprehensive income			
Exchange differences on translating foreign operations	9	8 490 311.38	1 743 511.93
Cash flow hedges		-885 170.93	-1 351 833.79
Other comprehensive income for the year net of tax		**7 605 140.45**	**391 678.14**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**85 930 683.22**	**54 150 080.46**
Profit for the period attributable to:			
Equity holders of the parent company		78 325 542.77	53 758 402.32
Non-controlling interest		-67.26	-84.07
Total comprehensive income attributable to:			
Equity holders of the parent company		85 930 683.22	54 150 080.46
Non-controlling interest		-67.26	-84.07
EPS undiluted (EUR), adjusted for share issue	10	1.10	0.82
EPS diluted (EUR), adjusted for share issue	10	1.09	0.81

Statement of financial position, EUR	Reference	31.12.2010	31.12.2009	1.1.2009
ASSETS				
NON-CURRENT ASSETS	11			
Intangible assets				
Trademark		101 648 787.35	89 188 640.85	84 389 512.12
Intangible rights		19 686 854.60	17 837 300.90	24 457 587.50
Other intangible assets		996 012.30	1 269 671.69	3 231 662.33
Goodwill		783 781 003.57	685 426 120.51	646 457 091.77
Intangible assets total		**906 112 657.82**	**793 721 733.96**	**758 535 853.72**
Property, plant, equipment	12			
Land and water		43 758 633.98	40 082 139.93	36 951 208.59
Buildings and constructions		485 357 731.92	273 853 560.18	158 159 321.73
Machinery and equipment		123 822 861.61	92 001 879.65	96 164 822.83
Modification and renovation expenses for leased premises		49 810 682.01	49 964 925.69	49 381 066.29
Advance payments and construction in progress		23 233 974.57	163 577 019.99	246 892 440.84
Property, plant, equipment, total		**725 983 884.09**	**619 479 525.44**	**587 548 860.28**
Non-current receivables		**813 094.08**	**553 248.89**	**1 646 817.57**
Available for sale investments	14	**5 028 616.98**	**5 030 297.52**	**6 596 000.89**
Deferred tax asset	21	**8 725 258.88**	**5 137 231.42**	**4 486 761.94**
NON-CURRENT ASSETS, TOTAL		**1 646 663 511.86**	**1 423 922 037.22**	**1 358 814 294.40**
CURRENT ASSETS				
Inventories	15.30	**240 268 769.80**	**196 655 953.97**	**220 652 121.14**
Short-term receivables	16,22,30			
Receivables, interest-bearing		41 417 818.67	44 506 494.29	52 242 379.82
Income tax receivable		15 478 306.42	503 159.27	15 187 687.15
Receivables, non-interest-bearing		73 245 615.09	83 672 777.23	82 021 493.15
Current receivables, total		**130 141 740.18**	**128 682 430.79**	**149 451 560.12**
Cash and cash equivalents	17.22	**36 715 525.43**	**176 402 572.88**	**35 203 099.43**
CURRENT ASSETS, TOTAL		**407 126 035.41**	**501 740 957.63**	**405 306 780.70**
ASSETS, TOTAL		**2 053 789 547.27**	**1 925 662 994.85**	**1 764 121 075.10**

In the opening balance on 1 January 2009 and the balance sheet for 31 December 2009 the error concerning financial periods 2008-2009 has been corrected.

Statement of financial position, EUR	Refe- rence	31.12.2010	31.12.2009	1.1.2009
EQUITY AND LIABILITIES				
EQUITY	18.30			
Share capital		142 291 999.99	142 187 906.00	123 406 672.00
Share premium fund		186 051 043.65	186 051 043.65	186 051 043.65
Other funds		287 847 984.49	287 444 412.55	169 581 932.36
Translation reserve		3 494 123.31	-4 996 188.07	-6 739 700.00
Retained earnings		265 983 420.50	238 130 915.35	215 780 127.32
Equity attributable to equity holders of the parent		**885 668 571.94**	**848 818 089.48**	**688 080 075.33**
Non-controlling interest		**-10.57**	**-262.56**	**-161.91**
EQUITY, TOTAL		**885 668 561.37**	**848 817 826.92**	**688 079 913.42**
NON-CURRENT LIABILITIES				
Deferred tax liability	21	63 775 636.27	70 107 182.12	78 052 716.44
Non-current liabilities, interest-bearing	19	521 261 103.13	786 927 093.74	755 668 859.64
Provisions for pensions	23 %	151 674.42	1 128 542.53	1 420 733.21
Non-current provisions		29 811.85	327 400.12	594 921.71
NON-CURRENT LIABILITIES, TOTAL		**585 218 225.67**	**858 490 218.50**	**835 737 231.00**
CURRENT LIABILITIES				
Current liabilities, interest-bearing	20	**292 002 668.20**	**2 281 361.19**	**20 002 374.68**
Current liabilities, non-interest-bearing	22			
Trade payables and other current liabilities	22.30	289 249 359.18	212 986 041.86	219 226 237.65
Income tax liability		1 650 732.84	3 087 546.38	1 075 318.35
Current liabilities, non-interest-bearing, total		**290 900 092.02**	**216 073 588.24**	**220 301 556.00**
CURRENT LIABILITIES, TOTAL		**582 902 760.23**	**218 354 949.43**	**240 303 930.68**
LIABILITIES, TOTAL		**1 168 120 985.90**	**1 076 845 167.93**	**1 076 041 161.68**
EQUITY AND LIABILITIES, TOTAL		**2 053 789 547.27**	**1 925 662 994.85**	**1 764 121 075.10**

In the opening balance on 1 January 2009 and the balance sheet for 31 December 2009 the error concerning financial periods 2008-2009 has been corrected.

Statement of changes in equity, Group EUR millions 1 - 12 / 2009	Share capital*	Share premium fund	Hedging reserve**	Reserve for invested un restricted equity	Other reserves	Trans lation reserve	Retained earnings	Total	Non-controlling interest	Total
EQUITY 1.1.2009	123.4	186.1	1.4	124.1	44.1	-6.7	216.8	689.1		689.1
Error correction							-1.1	-1.1		-1.1
ADJUSTED EQUITY 1.1.2009	123.4	186.1	1.4	124.1	44.1	-6.7	215.8	688.1	0.0	688.1
Changes in equity for										
Dividend distribution							-38.0	-38.0		-38.0
New share issue	18.8							18.8		18.8
Options exercised							1.4	1.4		1.4
Share premium				122.2				122.2		122.2
Loss on disposal of treasury shares							5.1	5.1		5.1
Transaction costs for equity **				-2.9				-2.9		-2.9
Total comprehensive income for the year **	**0.0**		**-1.4**	**0.0**		**1.7**	**53.8**	**54.2**	**0.0**	**54.2**
SHAREHOLDERS' EQUITY TOTAL 12 / 2009	**142.2**	**186.1**	**0.0**	**243.3**	**44.1**	**-5.0**	**238.1**	**848.8**		**848.8**

Statement of changes in equity, Group EUR millions 1 - 12 / 2010	Share capital*	Share premium fund	Hedging reserve**	Reserve for invested un restricted equity	Other reserves	Trans lation reserve	Retained earnings	Total	Non-controlling interest	Total
BALANCE AT BEGINNING OF THE PERIOD	142.2	186.1	0.0	243.3	44.1	-5.0	238.1	848.8	0.0	848.8
Changes in equity for										
Dividend distribution							-51.1	-51.1		-51.1
New share issue	0.1							0.1		0.1
Options exercised							0.3	0.3		0.3
Share premium				1.3				1.3		1.3
Total comprehensive income for the year **	**0.0**		**-0.7**	**0.0**		**8.5**	**78.3**	**86.1**	**0.0**	**86.1**
SHAREHOLDERS' EQUITY TOTAL 12 / 2010	**142.3**	**186.1**	**-0.6**	**244.6**	**43.8**	**3.5**	**266.0**	**885.7**		**885.7**

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

CONSOLIDATED STATEMENT OF CASH FLOWS, IFRS, EUR	Reference	12/2010	12/2009
Cash flows from operating activities			
Profit for the period		78 325 542.77	53 758 402.32
Adjustments for:			
Depreciation, amortisation & impairment loss		61 772 763.95	58 413 891.84
Gains (-) and Losses (+) of disposals of fixed assets and other non-current assets		62 510.58	-254 551.29
Interest and other financial expenses		21 994 068.19	28 391 953.77
Interest income		-7 409 511.84	-4 402 076.39
Tax on income from operations		-4 151 122.76	7 304 056.06
Other adjustments		-1 050 435.78	-389 846.28
Working capital changes:			
Increase (-) / decrease (+) in inventories		-34 286 694.37	27 100 397.38
Increase (-) /decrease(+) in trade and other receivables		-1 052 925.63	422 726.46
Increase (+) / decrease (-) in short-term interest-free liabilities		15 719 437.46	5 834 815.01
Interest and other financial expenses paid		-22 503 339.93	-32 936 865.21
Interest received		772 556.11	2 114 906.86
Income taxes paid		-16 402 290.05	1 428 326.40
Net cash from operating activities		**91 790 558.69**	**146 786 136.95**
Cash flows from investing activities			
Purchase of tangible and intagible assets		-166 735 168.18	-152 946 780.52
Proceeds from sale of tangible and intangible assets		667 800.21	71 136 504.30
Disposal of subsidiaries, net of cash disposed of		-0.01	5 600 781.85
Purchase of investments		90 386.45	
Proceeds from sale of investments		0.00	1 803 473.65
Dividends received		277 959.99	153 901.20
Net cash used in investing activities		**-165 699 021.03**	**-74 252 119.51**
Cash flows from financing activities			
Proceeds from issue of share capital		1 453 672.71	136 965 926.59
Proceeds from sale of own shares			5 130 789.80
Proceeds from short-term borrowings		236 829 871.77	-0.00
Repayment of short-term borrowings		-50 298 039.37	-19 283 700.62
Proceeds from long-term borrowings		518 754 291.59	200 000 000.00
Repayment of long-term borrowings		-721 761 296.17	-216 203 564.14
Payment of finance lease liabilities		-1 482 984.18	-711 820.14
Dividends paid		-51 160 903.72	-38 017 700.31
Group contribution received and paid		0.00	-0.00
Net cash used in financing activities		**-67 665 387.37**	**67 879 931.18**
Net increase/decrease in cash and cash equivalents		**-141 573 849.71**	**140 413 948.61**
Cash and cash equivalents at beginning of the period	**17**	**175 776 716.74**	**34 484 425.37**
Effects of exchange rate fluctuations on cash held		2 214 619.02	979 609.05
Cash and cash equivalents at the end of the period		36 715 525.43	176 301 374.67
Cheque account with overdraft facility		-298 039.37	-524 657.92
Cash and cash equivalents at the end of the period		**36 417 486.06**	**175 776 716.74**

1. Accounting policies used in the consolidated financial statements

Basic information on the company

The Group's parent company is the Finnish public listed company Stockmann plc, which is domiciled in Helsinki; its registered address is Aleksanterinkatu 52, 00100 Helsinki. The Group's primary field of business is retailing. The parent company's shares are listed on the Helsinki exchange (NASDAQ OMX Helsinki Ltd). A copy of the consolidated financial statements is available at the internet address www.stockmanngroup.fi or from the parent company.

General

Stockmann's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), complying with the IAS and IFRS standards and IFRIC and SIC interpretations in force on 31 December 2010. In Finnish accounting legislation and the regulations issued pursuant to it, International Financial Reporting Standards (IFRS) refer to the standards and their interpretations that have been approved for application in the EU in accordance with the procedure stipulated in EU regulation (EC) No 1606/2002. The notes to the consolidated financial statements are also in accordance with Finnish accounting and company legislation that supplements IFRS regulations. The information in the financial statements is based on original acquisition costs, unless stated otherwise in the accounting policies.

As from 1 January 2010, the Group has applied the following new and revised standards:

- *IFRS 3 Business Combinations,* effective in financial periods beginning on or after 1 July 2009. Under the revised standard, business combinations shall still be subject to an acquisition procedure, although significant changes have been made to this compared with the previous IFRS 3 standard. Under the revised standard, all payments made to complete an acquisition shall be recognised at fair value at the date of acquisition and some contingent liabilities shall be measured later at fair value via the statement of comprehensive income. All acquisition expenditure shall be recognised as expenses, and so the amendment to the standard has an effect on the amount of goodwill recognised on acquisitions and on the disposal of businesses. The amendment to the standard has an effect on the result for the financial period, both in the acquisition period and in financial periods during which a supplementary purchase price may be paid or further acquisitions completed. In accordance with the standard's transition requirements, business combinations in which the acquisition date is prior to the date of compulsory adoption of the standard shall not be adjusted. The amendment to the standard has no effect on the consolidated financial statements.
- *IAS 27 Consolidated and Separate Financial Statements,* effective in financial periods beginning on or after 1 July 2009. The amended standard requires that the effects of a change in the size of holding in a subsidiary company are recorded directly in consolidated equity when the parent company's control is retained. If control is lost, the residual holding is recorded at fair value in the income statement. The same accounting procedure is also applied to Investment in Associates (IAS 28) and Interests in Joint Ventures (IAS 31). The amendment to the standard has no effect on the consolidated financial statements.
- *Amendment to IAS 39 Financial Instruments: Recognition and Measurement,* effective in financial periods beginning on or after 1 July 2009. The amendments concern hedge accounting. The amendments clarify the IAS 39 guidelines for hedging of a one-sided risk or an inflation risk in a hedged item that is a financial asset or financial liability. The amendment to the standard has no effect on the consolidated financial statements.
- *Interpretation IFRIC 17 Distributions of Non-cash Assets to Owners,* effective in financial periods beginning on or after 1 July 2009. The interpretation provides guidance on how, in its accounting, an entity should treat dividends that are either distributed to owners as non-cash assets or the owners have the opportunity to choose whether to have the dividend as cash or non-cash assets. The interpretation has no effect on the consolidated financial statements.
- *Interpretation IFRIC 18 Transfers of Assets from Customers*, effective in financial periods beginning on or after 1 July 2009. The interpretation clarifies the IFRS requirements concerning agreements under which a company receives from a customer an item of property, plant or equipment or cash to be invested in such, in order that the customer can be connected to a distribution network and/or guaranteed an enduring right to receive goods or services. The interpretation has no effect on the consolidated financial statements.
- *Improvements to IFRSs*, effective mainly in financial periods beginning on or after 1 January 2010. Using the Annual Improvements process, minor and non-urgent amendments to standards are

compiled into a single package and applied once a year. These amendments cover a total of 12 standards. The effects of the amendments vary from one standard to another, but the amendments have no significant effect on the consolidated financial statements.

Accounting policies requiring management's judgment and key sources of uncertainty concerning estimates

In preparing the consolidated financial statements in accordance with IFRS, certain estimates and assumptions concerning the future need to be made. The estimates and assumptions presented in the financial statements are based on management's best knowledge at the balance sheet date. These influence the amounts of assets and liabilities in the balance sheet, the contingent items presented and the income and expenses for the financial period. In addition, judgment has to be used in applying the accounting policies used in the financial statements and estimates have to be made concerning, for example, depreciation periods, impairment testing, deferred tax assets and provisions. The actual amounts can differ from the estimates and assumptions. The key sources of uncertainty that pose the most significant risks of substantive changes in the carrying amounts of the Group's assets and liabilities during the next financial period are related to goodwill, as detailed in Note 11.

Material prior period errors, which relates to earlier financial years, are corrected retrospectively according to IAS 8 standard – Accounting Policies, Changes in Accounting Estimates and Errors. In connection with preparing financial statements for financial year 2010 the Group discovered a prior period error. Note 30 presents, how the error effects to the opening balance January 1st 2009 and the financial statements for financial year 2009.

Principles of consolidation

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

Inter-company share ownership within the Group has been eliminated using the acquisition cost method, according to which all the identifiable assets, liabilities and contingent liabilities of an acquired company are measured at fair values at the date of acquisition. The difference between the acquisition cost of shares in a subsidiary and their fair value is recorded as goodwill. Intra-Group transactions, receivables, liabilities, unrealized margins and internal distribution of profits are eliminated in the consolidated financial statements. The profit for the financial period is distributed to the parent company's owners and to non-controlling interests. Non-controlling interests are presented as an individual item in the Group's equity.

Joint ventures over which Stockmann has joint control with another party on the basis of an agreement or Articles of Association are accounted for using the proportionate consolidation method. Participations in mutual property management companies owned by Group companies have been treated as jointly controlled assets. The consolidated financial statements include Stockmann's proportionate share of a joint venture's assets, liabilities, income and expenses from the date when joint control has been obtained until it ends. Joint ventures acquired during the year have been consolidated as from the date of acquisition. The Stockmann Group does not have associates.

Segment reporting

The Stockmann Group has three reportable segments, which are the Group's divisions: the Department Store Division, which engages in the department store trade, speciality retailing and distance retailing, and fashion retailers Seppälä and Lindex. The segment Unallocated includes functions serving the entire Group. Hobby Hall's business was transferred to the Department Store Division as of the start of 2010, and Oy Hobby Hall Ab was merged with the parent company on 30 June 2010. The Department Store Division's figures for the financial period include Hobby Hall, and so the previous period's figures used for comparison have been adjusted accordingly. The segment information presented by the Group is based on the management's internal reporting, in which the measurement principles for assets and liabilities accord with IFRS regulations.

Items denominated in foreign currency

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

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

The income statements and statements of comprehensive income of foreign subsidiaries are translated into euros at the average rate during the financial period, and the balance sheets at the rate at the balance sheet date. The exchange difference arising from the translation of income statement items at the average rate and of balance sheet items at the rate at the balance sheet date is recognized as a separate item in equity. Translation differences arising from the elimination of the acquisition cost of foreign subsidiaries and from the translation of equity items accrued after their acquisition, and fair value changes in financial instruments designated as net investment hedges are recognized in shareholders' equity.

The income statements and statements of comprehensive income of foreign subsidiaries are translated into euros at the average rate during the financial period, and the balance sheets at the rate at the balance sheet date. The income statements and statements of comprehensive income of foreign subsidiaries are translated into euros at the average rate during the financial period, and the balance sheets at the rate at the balance sheet date. The exchange difference arising from the translation of income statement items at the average rate and of balance sheet items at the rate at the balance sheet date is recognized as a separate item in the statement of comprehensive income. Translation differences arising from the elimination of the acquisition cost of foreign subsidiaries and from the translation of equity items accrued after their acquisition, and fair value changes in financial instruments designated as net investment hedges are recognized in the statement of comprehensive income.

The financial statements of the Russian and Ukrainian subsidiaries have been translated into euro under IAS 21. The euro has been considered the functional currency of the Russian and Ukrainian subsidiaries because purchases of goods are made primarily by the parent company outside Russia and Ukraine and a margin target defined in euro is observed in setting selling prices. Furthermore, a large part of the expenses of these subsidiaries is tied to the euro or the US dollar. In accordance with IAS 21, monetary (i.e. cash) items of the subsidiaries are translated into euro in the consolidated financial statements using the exchange rate at the balance sheet date, and non-monetary items, such as non-current assets, inventories and equity, using the rate at the date of the transaction.

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

Cumulative translation differences that accrued prior to the date of transition to IFRS are recognized in retained earnings in accordance with the exemption permitted under IFRS 1. The translation differences in the equity of subsidiaries and joint ventures that arise from exchange rate changes have been recognized in the statement of comprehensive income and presented as a separate item in translation differences under the Group's equity. When a foreign subsidiary or joint venture is divested, the cumulative translation difference is recognized in the income statement as part of the gain or loss on disposal.

Income recognition principles and revenue

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

For distance sales, provision is made for returns by creating a return accrual, which is based on experience and serves to adjust the sales figures, in the financial statements. Interest on one-time consumer credits in distance retailing is included in the selling price and recognized in revenue. A provision is made for unused Lindex Club points and for Stockmann Master Card points in Russia accumulated by customers; the amount of the provision, which is recognized by reducing revenue, is based on experience and sales statistics. The provision is recognized for the same financial period as the sale to which it relates.

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

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

Other operating income

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

Other operating expenses

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

Employee benefits

Pension obligations

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

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

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

Equity compensation benefits and share-based payments

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

When share options are exercised, cash payments received from share subscriptions with options granted are recognized, adjusted for any transaction costs, in the share capital and the reserve for invested unrestricted equity, in accordance with the terms of each scheme.

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

Income taxes

Tax expenses in the income statement comprise taxes based on taxable income for the period and deferred taxes. Taxes based on taxable income for the period are calculated on taxable income using the tax rate that is in force in the country in which the particular Group company is based. The amount of tax is adjusted for any taxes concerning previous periods. Income taxes are presented in the income statement unless the transaction relating to the taxes is presented directly in equity or in the statement of comprehensive income, in which case the tax effect is also stated in equity or in the statement of comprehensive income.

Deferred taxes are calculated on all temporary differences between the carrying amount and the tax base. The largest temporary differences arise from the differences between the carrying amounts and tax bases of property, plant and equipment, unused tax losses, fair value measurement of assets and liabilities in business combinations, the fair value measurement of derivative contracts and an unrealised exchange rate difference on a long-term loan. Deferred taxes are not recognized on goodwill impairment, which is non-deductible in taxation.

Deferred taxes have been calculated by applying the tax rates that are laid down by law or have been accepted in practice by the balance sheet date.

Deferred taxes are recognized in full. Deferred tax assets are recognized to the extent that it is probable that taxable profit will arise in the future against which the deferred tax asset can be utilized.

Provisions

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

Goodwill and other intangible assets

The goodwill arising from the acquisition of a company is comprised of the difference between the acquisition cost and the identifiable net assets acquired, which are measured at fair value. Neither goodwill nor the Lindex brand are amortized. The brand is deemed to have an indefinite useful life due to high brand awareness. Other intangible assets include customer relationships, which are acquired at fair value at the time of business combination, as well as intangible rights and software that are measured at original acquisition cost. Other intangible assets are amortized on a straight-line basis over their estimated useful lives.

The amortization periods of intangible assets are:

customer relationships	5 years
software	5–7 years
other intangible rights	5 years

Subsequent expenditure related to intangible assets is capitalized only if the economic benefits of the asset increase as a result of such expenditure. Otherwise, the costs are recorded as expenses in the income statement when they are incurred.

Property, plant and equipment

Land areas, buildings and machinery and equipment comprise the bulk of property, plant and equipment. Revaluations included in land areas and buildings were part of the carrying amount under the previous accounting standards and have been deemed to constitute part of the acquisition cost under IFRS. Property, plant and equipment also includes modification and renovation costs of leased premises that are due, for example, to the finishing work on the interiors of commercial premises located in leased buildings.

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

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

The depreciation periods for property, plant and equipment are:

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

Borrowing costs

If preparing an asset item for its intended use necessarily requires a significantly long period of time after its acquisition, construction or manufacture, any borrowing costs directly arising from the asset item are included in the acquisition cost of the asset item. Other borrowing costs are recognized as expenses.

Impairment of assets

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

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

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

An impairment loss on property, plant and equipment as well as other intangible assets, except for goodwill, is reversed if a change has occurred in the estimates used in determining the recoverable amount of the asset item. An impairment loss is not, however, reversed beyond what the carrying amount of the asset would have been if no impairment loss had been recognized in previous years.

Leases

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

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

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

Inventories

Inventories are measured at the lower of acquisition cost and net realizable value. In normal operations the net realizable value is the estimated obtainable selling price less the estimated costs incurred in bringing the product to a finished condition and the estimated necessary selling costs.

The value of inventories is determined using the weighted average cost method or the retail method permitted under IAS 2, and it includes all the direct costs of the purchase. All the divisions use the weighted average cost method for measuring inventories. The Department Store Division in Finland also uses the retail method referred to in IAS 2.

Assets held for sale and discontinued operations

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

At the balance sheet date, the Group did not have discontinued operations or non-current assets held for sale in the meaning of IFRS 5.

Financial instruments

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

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

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

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

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

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

Derivative financial instruments are classified as financial assets or liabilities at fair value through profit or loss, and changes in their fair value are recognized through profit or loss, except for derivatives to which hedge accounting for cash flow hedges is applied and which meet the criteria for hedge accounting defined in IAS 39.

The fair value of interest rate swaps is defined on the basis of the present value of future cash flows, applying market prices at the balance sheet date. Changes in the fair value of interest rate swaps are recognized in financial income and expenses in the income statement. At the balance sheet date, the Group did not have any outstanding interest rate swaps.

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

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

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

The hedging relationship between the hedged item and the hedging instrument is documented at the inception of the hedge. The documentation includes identification of the hedging instrument and the hedged item, the nature of the risk being hedged, the objectives of risk management and calculations of hedge effectiveness. The hedging relationship must be effective, and the effectiveness is reviewed both at the inception of the hedge and subsequently. Effectiveness testing is carried out at each balance sheet date.

Cash and cash equivalents

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

The account with an overdraft facility, which is payable on demand and is part of the Group's cash management, is presented as a part of cash and cash equivalents in the cash flow statement.

Treasury shares

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

Dividends payable

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

Application of new or revised IFRS standards and interpretations

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

Amendment to *IAS 32 Financial Instruments: Presentation - Classification of Rights Issues*, effective in financial periods beginning on or after 1 February 2010. The amendment concerns the accounting treatment (classification) of shares, share options or subscription rights issued in a currency other than the issuer's functional currency. The amendments will have no significant effect on the next consolidated financial statements.

Improvements to IFRSs, effective mainly in financial periods beginning on or after 1 July 2010. Using the Annual Improvements process, minor and non-urgent amendments to the standards are compiled into a single package and applied once a year. The amendments to the standards have not yet been approved for application in the EU.

Revised *IAS 24 Related Party Disclosures*, effective in financial periods beginning on or after 1 January 2011. The definition of related party is further specified, and changes are made to certain disclosure requirements concerning government-related entieties. The amendments will have no significant effect on the next consolidated financial statements.

IFRS 9 Financial Instruments, effective in financial periods beginning on or after 1 January 2013. IFRS 9 is the first stage of a project aimed at replacing IAS 39 with a new standard. The procedures for measuring financial instruments will be simplified. Financial assets will be divided on the basis of measurement into assets measured at amortised acquisition cost and assets measured at fair value. IAS 39's guidance on impairment testing and hedge accounting will remain valid. If the standard is introduced before the financial period starting on 1 January 2012, no figures from previous periods need to be amended. The standard has not yet been approved for application in the EU.

Interpretation IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments, effective in financial periods beginning on or after 1 July 2010. The interpretation clarifies the accounting treatment that applies if a company renegotiates the terms of its financial liabilities and, as a result, issues equity instruments to a creditor, in order to extinguish financial liabilities either in full or in part. The interpretation will have no significant effect on the next consolidated financial statements.

Amendments to IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction*, effective in financial periods beginning on or after 1 January 2011. After the amendment companies will be able to enter as balance sheet assets some of the payments based on minimum funding requirements which were made voluntarily in advance. The amendments will have no significant effect on the next consolidated financial statements.

2. Segment information

Operating segments

The Stockmann Group's reportable segments, the Department Store Division, Seppälä and Lindex, are divisions of the Group that are managed and monitored as separate units selling different products and services. The segment information presented by the Group is derived from the management's internal reporting, in which management's assessment of the profitability of the segments is based on monitoring of the segments' operating profits, and in which the measurement principles for assets and liabilities accord with IFRS regulations.

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

Department Store Division

The Department Store Division operates department stores in Finland, Russia, Estonia and Latvia. It also has special stores in Finland and Russia, such as the Academic Bookshop, Zara fashion stores, Stockmann Beauty stores and Bestseller stores, some of which are operated by the Department Store Division on a franchising basis. The division's operations are concentrated in the major cities in each of the countries of operation. In addition, the Department Store Division is engaged in distance retailing in Finland under the names Hobby Hall, Stockmann and the Academic Bookshop.

Lindex

Lindex is a fashion chain operating in Sweden, Norway, Finland, Estonia, Latvia, Lithuania, the Czech Republic, Slovakia and Russia. Lindex also has franchising stores in Saudi Arabia, the United Arab Emirates and Bosnia and Herzegovina. Sales to Lindex's franchising partner are included in Lindex's Swedish sales. In addition, Lindex's online store supplies Lindex products to Sweden, Denmark and Finland. The Swedish and Danish sales of the online store are included in Lindex's Swedish revenue, and correspondingly the online store's Finnish sales are included in Lindex's Finnish revenue.

Seppälä

Seppälä is a fashion chain operating in Finland, Russia, Estonia, Latvia, Lithuania and Ukraine. Its business is based on products designed in-house.

Information concerning geographical regions

In addition to Finland, the Group operates in three geographical regions: Sweden and Norway; the Baltic countries, the Czech Republic and Slovakia; and Russia and Ukraine.

Segment information, Group EUR

Operating segments

Revenue	1.1.–31.12.2010	1.1.–31.12.2009
Department Store Division	**1 099 949 412,80**	1 030 016 427,01
Lindex	**578 702 999,95**	527 006 509,55
Seppälä	**143 191 210,00**	139 503 245,00
Segments, total	**1 821 843 622,75**	1 696 526 181,56
Unallocated	**21 257,08**	1 932 558,92
Group, total	**1 821 864 879,83**	1 698 458 740,48

Operating profit	1.1.–31.12.2010	1.1.–31.12.2009
Department Store Division	**32 854 134,71**	22 794 448,53
Lindex	**54 845 815,40**	62 147 339,40
Seppälä	**9 004 234,00**	7 975 514,00
Segments, total	**96 704 184,11**	92 917 301,93
Unallocated	**-7 945 207,76**	-7 865 034,24
Operating profit, Group, total	**88 758 976,35**	85 052 267,69
Financial income	**8 220 897,93**	4 402 144,47
Financial expenses	**-22 805 454,27**	-28 391 953,77
Profit before taxes, Group,	**74 174 420,00**	61 062 458,39

Depreciation	1.1.–31.12.2010	1.1.–31.12.2009
Department Store Division	**32 931 872,26**	31 384 111,28
Lindex	**22 524 782,69**	20 316 583,39
Seppälä	**5 814 426,90**	5 538 971,83
Segments, total	**61 271 081,86**	57 239 666,50
Unallocated	**501 682,10**	1 174 225,44
Group, total	**61 772 763,96**	58 413 891,94

Investments, gross	1.1.–31.12.2010	1.1.–31.12.2009
Department Store Division	**131 120 455,19**	125 738 354,77
Lindex	**28 222 775,96**	22 167 950,00
Seppälä	**4 686 265,86**	4 506 300,73
Segments, total	**164 029 497,01**	152 412 605,50
Unallocated	**1 360 876,84**	376 175,02
Group, total	**165 390 373,85**	152 788 780,52

Assets	1.1.–31.12.2010	1.1.–31.12.2009
Department Store Division	**904 380 117,11**	764 812 899,00
Lindex	**1 005 924 713,51**	868 748 981,93
Seppälä	**108 281 592,65**	119 764 285,00
Segments, total	**2 018 586 423,27**	1 753 326 165,92
Unallocated	**35 203 124,00**	172 336 828,91
Group, total	**2 053 789 547,27**	1 925 662 994,83

Information from market areas

Revenue	1.1.–31.12.2010	1.1.–31.12.2009
Finland 1)	**987 827 223,09**	947 971 251,43
Sweden and Norway 2)	**480 550 999,95**	439 155 509,55
Baltic states, Czech republic and Slovakia 1)	**123 712 493,69**	129 568 833,00
Russia and Ukraine 1)	**229 774 163,10**	181 763 146,50
Group, total	**1 821 864 879,83**	1 698 458 740,48
Finland, %	**54,22**	55,81
International operations, %	**45,78**	44,19

Operating profit	1.1.–31.12.2010	1.1.–31.12.2009
Finland 1)	**44 887 102,26**	54 285 363,18
Sweden and Norway 2)	**57 124 815,40**	61 225 326,43
Baltic states, Czech republic and Slovakia 1)	**964 444,92**	-4 435 602,84
Russian and Ukraine 1)	**-14 217 386,23**	-26 022 819,08
Group, total	**88 758 976,35**	85 052 267,69
Finland, %	**50,57**	63,83
International operations, %	**49,43**	36,17

Non-current assets	1.1.–31.12.2010	1.1.–31.12.2009
Finland 1)	**466 670 026,26**	452 591 511,92
Sweden and Norway 2)	**850 379 397,96**	734 041 239,83
Baltic states, Czech republic and Slovakia 1)	**48 079 594,93**	31 779 371,93
Russia and Ukraine 1)	**272 809 233,84**	200 372 682,13
Group, total	**1 637 938 252,98**	1 418 784 805,81
Finland, %	**28,49**	31,90
International operations, %	**71,51**	68,10

1) Department Store Division, Lindex, Seppälä
2) Lindex

3. Other operating income

EUR	2010	2009
Gain on sale of property, plant and equipment	**0,00**	255 914,07
Total	**0,00**	255 914,07

4. Gross margin

EUR	2010	2009
Revenue	**1 821 864 879,84**	1 698 458 740,48
Raw material and consumables used	**947 548 633,76**	853 285 323,12
Change in inventories	**-34 533 309,18**	27 701 403,47
Gross margin	**908 849 555,26**	817 472 013,89
Gross margin, % of revenue	**50%**	48%

5. Wages, salaries and other employee benefits expenses

EUR	2010	2009
Wages and salaries	**287 600 336,44**	261 164 532,91
Pension expenses, defined contribution plans	**37 271 859,33**	33 427 811,32
Pension expenses, defined benefit plans	**-824 965,37**	4 701,69
Other employee benefits expenses	**37 502 164,74**	32 548 902,59
Expenses for share option benefits	**342 924,82**	267 883,92
Total	**361 892 319,96**	327 413 832,42

At most of the subsidiaries abroad, the pension expenses of defined contribution pension plans are included in other employee benefits expenses. Information on management's employee benefits is given in note 28. Related party transactions.

6. Depreciation, amortization and impairment losses

EUR	2010	2009
Trademark		147 906,58
Intangible assets	**6 122 594,27**	7 382 479,52
Buildings and constructions	**10 777 466,41**	8 705 528,14
Machinery and equipment	**31 748 297,25**	29 636 330,02
Machinery and equipment, finance lease	**1 613 652,48**	806 826,24
Modification and renovation costs for leased premises	**11 510 753,54**	11 734 821,34
Depreciation and amortization, total	**61 772 763,96**	58 413 891,84

7. Other operating expenses

EUR	2010	2009
Site expenses	**241 216 590,14**	196 955 397,99
Marketing expenses	**64 699 043,79**	51 309 900,94
Goods handling expenses	**14 239 962,40**	22 562 999,29
Credit losses	**1 256 964,72**	2 112 001,37
Voluntary social security	**7 499 428,22**	5 152 165,04
Interest income from trade receivables	**-408 058,33**	-505 645,27
Financing income from loyal customer cards	**-10 589 272,55**	-9 595 157,19
Other costs	**78 510 836,63**	78 856 273,73
Total	**396 425 495,01**	346 847 935,90

Fees to the auditors

EUR	2010	2009
Auditing	**647 541,83**	611 092,76
Certificates and statements	**1 750,00**	4 998,01
Tax advisory	**55 211,59**	75 780,68
Other services	**141 397,70**	125 223,73
Total	**845 901,12**	817 095,17

8. Finance income and expenses

Finance income

EUR	2010	2009
Dividend income on available-for-sale investments	**277 959,99**	153 901,20
Interest income on bank deposits and other investments	**770 097,67**	1 501 039,91
Gain on sale of available-for-sale investments	**205,85**	476,23
Change in fair value of financial assets at fair value through profit or loss	**2 033 286,81**	15 786,35
Foreign exchange differences	**5 139 347,62**	2 730 940,78
Total	**8 220 897,93**	4 402 144,48

Finance expenses

EUR	2010	2009
Interest expenses on financial liabilities measured at amortized cost	**-22 463 978,23**	-27 971 678,33
Loss on disposals of assets available for sale	**-341 476,04**	3 680,56
Change in fair value of financial assets at fair value through profit or loss		-423 956,01
Total	**-22 805 454,27**	-28 391 953,78

Finance income and expenses, total

EUR	2010	2009
Finance income and expenses, total	**-14 584 556,34**	-23 989 809,30

9. Income taxes

EUR	2010	2009
Income taxes for the financial period	**-7 641 686,90**	-15 397 315,48
Income taxes from previous financial periods	**-405 202,27**	128 832,84
Change in deferred tax liability/assets	**12 198 011,93**	7 964 426,57
Total	**4 151 122,76**	-7 304 056,06

Reconciliation between the income tax expense in the income statement and the Group's tax expense at the Finnish tax rate of 26% (26% in 2009)

EUR	2010	2009
Profit before taxes	**74 174 420,00**	61 062 458,39
Income taxes at current tax rate	**19 285 349,20**	15 876 239,18
Income taxes from previous financial periods	**405 202,27**	-128 832,84
Tax-exempt income	**-33 519 964,32**	-10 886 541,25
Differing tax rates of foreign subsidiaries	**1 982 402,89**	381 884,03
Non-deductible expenses	**3 087 497,43**	1 091 244,67
Unrecognised deferred tax assets from losses intaxation	**4 608 389,76**	970 062,28
Income taxes in the income statement	**4 151 122,77**	-7 304 056,06

Tax effects relating to components of other comprehensive income

EUR	2010			2009		
	Before-tax	**Tax (expense) benefit**	**Net-of-tax**	Before-tax	Tax (expense) benefit	Net-of-tax
Exchange differences on translating foreign operations	**7 234 554,10**	**1 255 757,28**	**8 490 311,38**	1 402 997,73	340 514,20	1 743 511,93
Cash flow hedges	**-1 201 048,46**	**315 877,53**	**-885 170,93**	-1 834 276,24	482 442,45	-1 351 833,79
Total	**6 033 505,64**	**1 571 634,81**	**7 605 140,45**	-431 278,51	822 956,65	391 678,14

10. Earnings per share

Earnings per share are calculated by dividing the profit for the period attributable to the parent company's shareholders by the weighted average number of shares outstanding during the financial period. The outstanding shares do not include treasury shares held by the Group. In calculating earnings per share adjusted for dilution, the dilutive effect resulting from conversion of all share options into shares is taken into account in the average weighted number of shares. Options have a dilutive effect when the subscription price of the options is lower than the share’s fair value. The fair value of the share is based on the average price of the shares during the period.

EUR	2010	2009
Profit for the period, EUR	**78 325 542,77**	53 758 402,32
Share issue-adjusted number of outstanding shares, weighted average, thousands	**71 120 333**	65 676 130
Earnings per share, EUR	**1,10**	0,82
Profit for the period, EUR	**78 325 542,77**	53 758 402,32
Share issue-adjusted number of outstanding shares, weighted average, thousands	**71 120 333**	65 676 130
Effect of share options	**776 469**	318 456
Share issue-adjusted number of shares, diluded weighted average, thousands	**71 896 802**	65 994 586
Earnings per share adjusted for effect of dilution	**1,09**	0,81

11. Intangible assets

Goodwill

EUR	2010	2009
Acquisition cost Jan. 1	**685 426 120,51**	646 457 091,76
Translation difference +/-	**98 354 883,06**	38 969 028,75
Acquisition cost Dec. 31	**783 781 003,57**	685 426 120,51
Carrying amount Jan. 1	**685 426 120,51**	646 457 091,76
Carrying amount Dec. 31	**783 781 003,57**	685 426 120,51

Trademark

EUR	2010	2009
Acquisition cost Jan. 1	**89 469 096,05**	84 487 401,72
Translation difference +/-	**12 958 045,52**	5 101 416,04
Transfers between items	**-457 655,23**	-119 721,71
Acquisition cost Dec. 31	**101 969 486,33**	89 469 096,05
Accumulated amortization Jan. 1	**-280 455,20**	-97 889,60
Translation difference +/-	**-40 243,78**	-34 659,02
Amortization for the financial period		-147 906,58
Accumulated amortization Dec. 31	**-320 698,98**	-280 455,20
Carrying amount Jan. 1	**89 188 640,85**	84 389 512,12
Carrying amount Dec. 31	**101 648 787,36**	89 188 640,85

Impairment testing

For the purposes of impairment testing, EUR 694 million of goodwill was allocated to the Lindex segment, EUR 65 million of goodwill to the Seppälä segment and EUR 25 million of goodwill to the Department Store Division segment. The Lindex, Department Store Division and Seppälä segments constitute separate cash-generating units.

The EUR 102 million trademark is allocated in its entirety to the Lindex segment. The Lindex brand is deemed to have an indefinite useful life due to high brand awareness. The Lindex brand has existed for over 50 years and the Group will continue to use the brand both in its present markets and when the Lindex product range and business model are introduced into new markets.

In the impairment testing, the cash flow forecasts for Lindex, the Department Store Division and Seppälä are based on market-area forecasts that cover a five-year period and are approved by management. Long-term forecasts, which were updated during the financial year, take into account changes in the economy compared with the previous year. Cash flows beyond this management-approved forecast period were extrapolated using a steady 2 per cent growth rate.

Main variables used in the value-in-use calculation:

1. Volume growth, which is based on an estimate of the sales growth at existing and new stores and department stores.
2. Discount rate, which is determined using the weighted average cost of capital (reflects the total cost of equity and debt). The components of the discount rate are
    - market-specific risk-free rate
    - market risk premium
    - business-specific beta, which is a measure of the market’s view of the unit’s risk premium
    - cost of debt
    - debt-to-equity ratio

The discount rate determined is a pre-tax rate. The discount rate of the Lindex segment is based on the market interest rate and country-specific risk pertaining to Sweden; the discount rate used for the Lindex segment is 7.3 per cent (2009 8.5%).The discount rates of the Department Store Division and Seppälä segments are based on the market interest rate in Finland and country-specific risk pertaining to the segments’ countries of operation. The discount rate used for the Department Store Division segment is 7.3 per cent (2009 8.4%), and for the Seppälä segment 7.6 per cent (2009 8.7%).

In estimating the recoverable amounts of the Lindex, Department Store Division and Seppälä segments, it is management’s view that any possible changes in any of the variables used, when reasonably assessed, will not lead to a situation in which the recoverable amounts would be less than the segments’ carrying amount.

A sensitivity analysis was carried out on the Lindex, Department Store and Seppälä Division segments using downside scenarios. The scenarios involved reducing either the sales growth from the level given in the management’s estimates, or raising the discount rate used. If the Lindex segment’s sales growth were 40 per cent less than forecast or if the discount rate were increased by 7 percentage points, the recoverable amount would exceed the combined total of the carrying amount of the unit’s non-current assets and its working capital. If the Department Store Division segment’s sales growth were 30 per cent less than forecast or if the discount rate were increased by 12 percentage points, the recoverable amount would exceed the combined total of the carrying amount of the unit’s non-current assets and its working capital. If the Seppälä segment’s sales growth were 50 per cent less than forecast or if the discount rate were increased by 10 percentage points, the recoverable amount would exceed the combined total of the carrying amount of the unit's non-current assets and its working capital. The sensitivity analyses carried out show that none of the above-mentioned changes in sales growth or the higher discount rate would reduce the recoverable amounts of the units to below their carrying amounts. Based on the impairment testing and the sensitivity analyses carried out, there is no need for impairment entries.

Intangible rights

EUR	2010	2009
Acquisition cost Jan. 1	**39 358 650,65**	44 430 771,57
Translation difference +/-	**1 821 713,26**	713 090,48
Increases Jan. 1–Dec. 31	**8 177 486,08**	2 083 253,31
Decreases Jan. 1–Dec. 31	**-4 377 170,98**	-9 648 441,68
Transfers between items	**-1 784 786,66**	1 779 976,97
Acquisition cost Dec. 31	**43 195 892,34**	39 358 650,65
Accumulated amortization Jan. 1	**-21 521 349,75**	-19 973 184,07
Translation difference +/-	**-972 078,24**	-264 180,06
Amortization on disposals	**4 377 170,98**	3 893 497,68
Amortization for the financial period	**-5 392 780,73**	-5 177 483,30
Accumulated amortization Dec. 31	**-23 509 037,74**	-21 521 349,75
Carrying amount Jan. 1	**17 837 300,90**	24 457 587,50
Carrying amount Dec. 31	**19 686 854,60**	17 837 300,90

Other intangible assets

EUR	2010	2009
Acquisition cost Jan. 1	**6 151 885,16**	5 682 405,86
Translation difference +/-	**692 523,41**	349 757,59
Transfers between items	**457 655,23**	119 721,71
Acquisition cost Dec. 31	**7 302 063,81**	6 151 885,16
Accumulated amortization Jan. 1	**-4 882 213,47**	-2 450 743,53
Translation difference +/-	**-694 024,50**	-226 473,72
Amortization for the financial period	**-729 813,54**	-2 204 996,22
Accumulated amortization Dec. 31	**-6 306 051,51**	-4 882 213,47
Carrying amount Jan. 1	**1 269 671,69**	3 231 662,33
Carrying amount Dec. 31	**996 012,30**	1 269 671,69

EUR	2010	2009
Intangible assets, total	**906 112 657,82**	793 721 733,96

12. Plant, property and equipment

Land and water

EUR	2010	2009
Acquisition cost Jan. 1	**40 082 139,93**	36 951 208,59
Translation difference +/-	**-441,35**	
Increases Jan. 1–Dec. 31	**1 685 420,30**	1 372 017,08
Transfers between items	**1 991 515,10**	1 758 914,26
Acquisition cost Dec. 31	**43 758 633,98**	40 082 139,93
Carrying amount Jan. 1	**40 082 139,93**	36 951 208,59
Carrying amount Dec. 31	**43 758 633,98**	40 082 139,93

Buildings and constructions

EUR	2010	2009
Acquisition cost Jan. 1	**340 206 860,28**	225 297 456,88
Translation difference +/-	**-2 241,87**	-22 410,78
Increases Jan. 1–Dec. 31	**4 379 374,92**	2 211 547,89
Decreases Jan. 1–Dec. 31	**-3 079,00**	-63 001 140,63
Transfers between items	**217 906 602,38**	175 721 406,91
Acquisition cost Dec. 31	**562 487 516,71**	340 206 860,28
Accumulated depreciation Jan. 1	**-66 353 300,10**	-67 138 135,16
Translation difference +/-	**981,72**	6 436,97
Depreciation on disposals		9 483 926,23
Depreciation for the financial period	**-10 777 466,41**	-8 705 528,14
Accumulated depreciation Dec. 31	**-77 129 784,79**	-66 353 300,10
Carrying amount Jan. 1	**273 853 560,18**	158 159 321,73
Carrying amount Dec. 31	**485 357 731,92**	273 853 560,18

Machinery and equipment

EUR	2010	2009
Acquisition cost Jan. 1	**171 044 926,84**	203 782 304,02
Translation difference +/-	**2 657 799,76**	6 005 891,86
Increases Jan. 1–Dec. 31	**35 311 675,62**	26 323 166,80
Decreases Jan. 1–Dec. 31	**-17 843 067,44**	-72 387 100,68
Transfers between items	**26 111 077,12**	7 320 664,85
Acquisition cost Dec. 31	**217 282 411,90**	171 044 926,84
Accumulated depreciation Jan. 1	**-86 304 483,29**	-107 606 901,62
Translation difference +/-	**1 329 023,24**	-2 969 872,42
Depreciation on disposals	**17 616 423,45**	53 908 620,77
Depreciation for the financial period	**-31 748 297,25**	-29 636 330,02
Accumulated depreciation Dec. 31	**-99 107 333,86**	-86 304 483,29
Carrying amount Jan. 1	**84 740 443,55**	96 175 402,40
Carrying amount Dec. 31	**118 175 078,04**	**84 740 443,55**

Machinery and equipment, finance lease

EUR	2010	2009
Acquisition cost Jan. 1	**8 068 262,34**	
Translation difference +/-	**0,05**	
Increases Jan. 1–Dec. 31		8 068 262,34
Acquisition cost Dec. 31	**8 068 262,29**	8 068 262,34
Accumulated depreciation Jan. 1	**-806 826,24**	
Depreciation on disposals		
Depreciation for the financial period	**-1 613 652,48**	-806 826,24
Accumulated depreciation Dec. 31	**-2 420 478,72**	-806 826,24
Carrying amount Jan. 1	**7 261 436,10**	
Carrying amount Dec. 31	**5 647 783,57**	7 261 436,10

EUR	2010	2009
Machinery and equipment, total	**123 822 861,61**	92 001 879,65

Modification and renovation costs of leased premises

EUR	2010	2009
Acquisition cost Jan. 1	**106 809 867,82**	97 821 830,79
Translation difference +/-	**1 153 889,93**	11 027,28
Increases Jan. 1–Dec. 31	**1 120 874,67**	3 643 768,44
Decreases Jan. 1–Dec. 31	**-1 417 566,67**	-3 528 446,70
Transfers between items	**10 531 786,87**	8 861 688,01
Acquisition cost Dec. 31	**118 198 852,62**	106 809 867,82
Accumulated depreciation Jan. 1	**-56 844 942,14**	-48 451 344,07
Translation difference +/-	**-1 152 323,58**	-95,16
Depreciation on disposals	**1 119 848,65**	3 341 128,10
Depreciation for the financial period	**-11 510 753,54**	-11 734 821,34
Accumulated depreciation Dec. 31	**-68 388 170,61**	-56 844 942,14
Carrying amount Jan. 1	**49 964 925,69**	49 370 486,72
Carrying amount Dec. 31	**49 810 682,01**	49 964 925,69

Advance payments and construction in progress

EUR	2010	2009
Acquisition cost Jan. 1	**163 577 019,98**	246 892 440,84
Translation difference +/-	**-257,05**	-2 356,97
Increases Jan. 1–Dec. 31	**112 692 173,46**	117 151 026,99
Decreases Jan. 1–Dec. 31	**-302 135,80**	-4 933 426,13
Transfers between items	**-252 732 826,03**	-195 530 664,74
Acquisition cost Dec. 31	**23 233 974,57**	163 577 019,98
Carrying amount Jan. 1	**163 577 019,98**	246 892 440,84
Carrying amount Dec. 31	**23 233 974,57**	163 577 019,98

EUR	2010	2009
Property, plant and equipment, total	**725 983 884,09**	619 479 525,43

Borrowing costs capitalized as part of property, plant and equipment

EUR 1.1 million (2009 EUR 2.7 million) of interest expenses for the Nevsky Centre project in St Petersburg have been capitalized during the financial period. Capitalized interest expenses "are included in “Advance payments and construction in progress” or "Buildings and constructions"

EUR	2010	2009
Acquisition cost Jan. 1	**7 114 000,00**	7 248 000,00
Increases Jan. 1–Dec. 31	**1 084 000,00**	2 700 000,00
Decreases Jan. 1–Dec. 31		-2 834 000,00
Acquisition cost Dec. 31	**8 198 000,00**	7 114 000,00
Accumulated depreciation Jan. 1	**-109 342,00**	-40 400,00
Depreciation for the financial year	**-93 278,33**	-68 942,00
Accumulated depreciation Dec. 31	**-202 620,33**	-109 342,00
Carrying amount Jan. 1	**7 004 658,00**	7 207 600,00
Carrying amount Dec. 31	**7 995 379,67**	7 004 658,00

13. Joint ventures

	2010 Shareholding %	2009 Shareholding %
SIA Stockmann Centrs, Riga (real-estate company)	**63,0**	63,0
Kiinteistö Oy Tapiolan säästötammi Fastighets Ab, Espoo	**37,8**	37,8
Kiinteistö Oy Raitinkartano, Espoo	**15,6**	15,6

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

Assets and liabilities of joint ventures

EUR	2010	2009
Non-current assets	**27 364 411,70**	26 575 744,88
Current assets	**256 487,80**	567 071,20
Non-current liabilities	**16 480 986,10**	16 723 774,01
Current liabilities	**529 949,34**	709 260,28

Income and expenses of joint ventures

EUR	2010	2009
Income	**3 691 910,14**	4 376 249,37
Expenses	**2 790 662,80**	4 370 170,81

14. Available-for-sale investments

EUR	2010	2009
Carrying amount Jan. 1	**5 030 297,52**	6 596 000,89
Translation difference +/-	**97,70**	36,87
Increases Jan. 1–Dec. 31	**0,01**	
Decreases Jan. 1–Dec. 31	**-1 778,24**	-1 565 740,24
Carrying amount Dec. 31	**5 028 616,98**	5 030 297,52

Available-for-sale investments consist of unlisted shares. Unlisted shares are stated at cost because their fair values cannot be determined reliably.

15. Inventories

EUR	2010	2009	2008
Raw material and consumables	**240 268 769,80**	196 573 198,61	220 444 685,05
Advance payments for inventories		82 755,36	207 436,10
Total	**240 268 769,80**	196 655 953,97	220 652 121,14

The value of inventories has been lowered by EUR 0.7 million for unsalable assets (2009: EUR 0.8 million; 2008: 1.1 million).

16. Current receivables

EUR	Carrying amount 2010	Fair value 2010	Carrying amount 2009	Fair value 2009	Carrying amount 2008	Fair value 2008
Interest-bearing trade receivables	**41 417 818,67**	**41 417 818,67**	44 506 494,29	44 506 494,29	52 242 379,82	52 242 379,82
Non-interest-bearing trade receivables	**17 613 307,66**	**17 613 307,66**	27 185 982,81	27 185 982,81	23 673 000,13	23 673 000,13
Receivables based on derivative contracts	**2 342 582,36**	**2 342 582,36**	1 647 525,32	1 647 525,32	7 893 374,84	7 893 374,84
Other receivables	**26 164 449,53**	**26 164 449,53**	32 879 629,86	32 879 629,86	31 383 250,72	31 383 250,72
Prepayments and accrued income	**27 125 275,55**	**27 125 275,55**	21 959 639,24	21 959 639,24	19 071 867,46	19 071 867,46
Income tax receivables	**15 478 306,42**	**15 478 306,42**	503 159,27	503 159,27	15 187 687,15	15 187 687,15
Current receivables, total	**130 141 740,19**	**130 141 740,19**	128 682 430,78	128 682 430,78	149 451 560,12	149 451 560,12

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

Interest-bearing trade receivables include EUR 41 589 008.70 in one-time credits on mail-order sales in 2010 (EUR 41 568 256.13 in 2009; EUR 49 962 828.50 in 2008). Hire purchase surcharges and interest income on these receivables are included in the selling price and recognized in revenue instead of interest income. Other interest-bearing trade receivables are the Stockmann loyal customer account, for which interest income is recognized as a reduction in other expenses.

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

17. Cash and cash equivalents

EUR	2010	2009
Cash on hand and at banks	**29 394 645,65**	23 968 632,07
Short term deposits	**7 320 879,78**	152 332 742,59
Fund		101 198,21
Total	**36 715 525,43**	176 402 572,88

Cash and cash equivalents in the Statement of Cash Flows

EUR	2010	2009
Cash and cash equivalents	**36 715 525,43**	176 402 572,88
Overdraft facilities	**-298 039,37**	-524 657,92
Total	**36 417 486,06**	175 877 914,96

18. Equity

Share capital and premium fund

EUR	Entered in trade register	Number of shares	Share capital	Share premium fund	Invested unrestricted equity fund	Total
Jan. 1, 2009		61 703 336	123 406 672,00	186 051 043,65	124 087 710,68	433 545 426,33
Directed issue	18.8.	5 648 830	11 297 660,00		84 732 450,00	96 030 110,00
Rights issue	28.9.	3 741 787	7 483 574,00		37 417 870,00	44 901 444,00
Share issue costs					-2 934 564,28	-2 934 564,28
Dec. 31, 2009		71 093 953	142 187 906,00	186 051 043,65	243 303 466,40	571 542 416,05
Subscriptions with loyal customer options 2006	30.6.	52 047	104 094,00		1 349 578,71	1 453 672,71
Share issue costs					-19 634,21	-19 634,21
Dec. 31, 2010		71 146 000	142 292 000,00	186 051 043,65	244 633 410,90	572 976 454,55

In 2000, the company bought back 413 000 of its own shares (treasury shares) on the basis of an authorization granted by the Annual General Meeting on April 11, 2000. On 3 June 2009, Stockmann sold the 336 528 Series B shares in its possession in public trading arranged by NASDAQ OMX Helsinki Ltd to investors procured by a securities broker. Following this transaction, the company no longer holds and Stockmann shares. Stockmann's Board of directors has no valid authorization to purchase Stockmann shares. A total of 76 472 shares were used for remuneration paid to the Board of Directors and management.

EUR	2010	2009
Total number of shares at Dec. 31, 2009, registered	**71 146 000**	71 093 953
of which Series A shares	**30 627 563**	30 627 563
of which Series B shares	**40 518 437**	40 466 390

Maximum and minimum share capital

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

Voting right differences between Series A and B shares

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

Conversion of Shares

A Series A Share can be converted to a Series B Share upon the demand of a shareholder provided that the conversion can take place within the limits of the minimum and maximum amounts of the share series. A written demand concerning conversion of the company's shares must be made to the company's Board of Directors in the manner specified in the Articles of Association.

Redemption obligation

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

Other funds

EUR	2010	2009
Reserve fund	**115 040,97**	200 360,64
Invested unrestricted equity fund	**244 633 410,90**	243 303 466,40
Other funds	**43 099 532,63**	43 940 585,51
Total	**287 847 984,49**	287 444 412,54

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

Translation differences

The translation differences reserve comprises the translation differences on equity that have arisen in consolidating the financial statements of foreign subsidiaries and translation differences arisen in consolidating net investment in foreign currencies.

Dividends

After the balance sheet date, the Board of Directors proposed on February 9, 2011 to pay out a dividend of EUR 0.82 per share.

Share-based payment

IFRS 2 Share-based payment has been applied to the key employee share option scheme for 2006 and 2010 and to the Loyal Customer share option scheme for 2006 and 2008.

Loyal Customer share options 2006

The Annual General Meeting held on 21 March 2006 approved the Board of Directors' proposal on granting share options to Stockmann's Loyal Customers. In accordance with the resolution of the Annual General Meeting, a total maximum of 2 500 000 share options were granted to Stockmann's Loyal Customers without consideration. The share options were granted to Loyal Customers whose purchases during 1 January 2006 – 31 December 2007, together with purchases made on parallel cards for the same account were at least EUR 6 000 in total amount. For purchases of at least EUR 6 000 a Loyal Customer received 20 share options without consideration. In addition, for each full 500 euros by which the purchases exceed EUR 6 000, the Loyal Customer received two additional share options. The Loyal Customer purchases made by 31 December 2007 entitled to subscribe for a total of 1 998 840 share options. In the spring 2008, a total of 1 373 846 Loyal Customer share options were subscribed.

Each share option entitled its holder to subscribe for one of Stockmann plc Series B shares. The subscription price was the volume-weighted average price of the Series B share on the Helsinki exchange during the period 1 February – 28 February 2006, or EUR 33.35. The subscription price of a share to be subscribed for with the share options was lowered by the amount of Stockmann plc dividends paid after the end of the determination period for the share price, counting from the record date up to the date of the share subscription. The subscription price after the rights issue of 2009 and the dividend payout proposed by the Board of Directors for the 2009 financial year was EUR 27.93.

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

Key employee share options 2006

The Annual General Meeting held on 21 March 2006 approved the Board of Directors' proposal on granting share options to key employees of the Stockmann Group. A total of 1 500 000 share options will be granted to key employees belonging to the senior and middle management of Stockmann and its wholly-owned subsidiary. Of the share options, 375 000 will bear the marking 2006A, 375 000 the marking 2006B, 375 000 the marking 2006C, and 375 000 the marking 2006D. The subscription period for shares with share option 2006B is 1 March 2009 – 31 March 2011; with share option 2006C, 1 March 2010 – 31 March 2012; and with share option 2006D, 1 March 2011 – 31 March 2013. The subscription period with share option 2006A has expired. The subscription period for shares will not, however, commence with the 2006B and 2006D share options unless the criteria linked to the Group's financial targets as determined by the Board of Directors prior to the distribution of these share options have been met. Those share options 2006B and 2006D in respect of which the criteria determined by the Board of Directors have not been met shall lapse in the manner decided by the Board of Directors. Of 2006B share options 187 500 and of 2006D share options 360 000 have lapsed.

One share option will entitle its holder to subscribe for one Stockmann plc Series B share. The subscription price of the share with share options 2006A and 2006B will be the volume-weighted average price of the company's Series B share on the Helsinki exchange during 1 February – 28 February 2006, plus 10 per cent or EUR 36.69, and with share option 2006C and 2006D, the volume-weighted average price of the company's Series B share on the Helsinki exchange during 1 February – 29 February 2008, plus 10 per cent or EUR 31.02. On the record date for each dividend payout, the subscription price of the shares to be subscribed for with share options will be lowered by the amount of dividends declared after the commencement of the period for determining the subscription price and prior to the share subscription. The subscription price after the rights issue of 2009 and the dividend payout proposed by the Board of Directors for the 2010 financial year on the basis of share option B is EUR 30.45 per share and of share option C EUR 27.18 per share.

Loyal Customer share options 2008

The Annual General Meeting held on 18 March 2008 approved the Board of Directors' proposal on granting share options to Stockmann's Loyal Customers. In accordance with the resolution of the Annual General Meeting, a total maximum of 2 500 000 share options will be granted to Stockmann's Loyal Customers without consideration. The share options will be granted to Loyal Customers whose purchases during 1 January 2008 – 31 December 2009, together with purchases made on parallel cards for the same account are at least EUR 6 000 in total amount. For purchases of at least EUR 6 000, a Loyal Customer will receive 20 share options without consideration. In addition, for each full 500 euros by which the purchases exceed EUR 6 000, the Loyal Customer will receive two additional share options. The Loyal Customer purchases made by 31 December 2009 entitled to subscribe for a total of 1 803 322 share options. In 2010, a total of 1 248 819 Loyal Customer share options were subscribed.

Each share option entitles its holder to subscribe for one of Stockmann plc Series B shares. In accordance with the resolution of the Annual General Meeting on 17 March 2009, the subscription price is the volume-weighted average price of the Series B share on the Helsinki exchange during the period 1 February – 28 February 2009, or EUR 11.28. The subscription price of a share to be subscribed for with the share options will be lowered by the amount of Stockmann plc dividends paid after the end of the determination period for the share price, counting from the record date up to the date of the share subscription.

The subscription periods for the shares are in May in the years 2011 and 2012. The subscription price after the rights issue of 2009 and the dividend payout proposed by the Board of Directors for the 2010 financial year is EUR 8.79.

Key employee share options 2010

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

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

Changes in share options during the financial period

	2010 Number of Options	**Subscription price as weighted average EUR/share**	**Turnover weighted share price during subscription period EUR/share**	2009 Number of Options	Subscription price as weighted average EUR/share	Turnover weighted share price during subscription period EUR/share
Key employee share options 2006 Series A						
Options unexercised at the beginning of the financial period	**375 000**			375 000		
Options lapsed during the period	**375 000**					
Options unexercised at the end of the financial period	**0**			375 000		
Key employee share options 2006 Series B						
Options unexercised at the beginning of the financial	**187 500**			375 000		

period				
Options lapsed during the period				187 500
Options unexercised at the end of the financial period	**187 500**			187 500
Key employee share options 2006 Series C				
Options unexercised at the beginning of the financial period	**360 000**			360 000
Options unexercised at the end of the financial period	**360 000**			360 000
Key employee share options 2006 Series D				
Options unexercised at the beginning of the financial period	**360 000**			360 000
Options lapsed during the period	**360 000**			
Options unexercised at the end of the financial period	**0**			360 000
Loyal customer options 2006				
Options unexercised at the beginning of the financial period	**1 373 482**			1 373 482
Shares subscribed with options during the financial period	**52 047**	**27,93**	**25,18**	
Options lapsed during the period	**1 321 435**			
Options unexercised at the end of the financial period	**0**			1 373 482
Loyal customer options 2008				
Options unexercised at the beginning of the financial period				
Options granted during the financial period	**1 248 739**			
Options unexercised at the end of the financial period	**1 248 739**			
Key employee share options 2010 Series A				
Options unexercised at the beginning of the financial period				
Options granted during the financial period	**484 000**			
Options unexercised at the end of the financial period	**484 000**			
Options, total				
Options unexercised at the beginning of the financial period	**2 655 982**			2 843 482
Shares subscribed with options during the financial period	**52 047**			
Options granted during the financial period	**1 732 739**			
Options lapsed during the period	**2 056 435**			187 500
Options unexercised at the end of the financial period	**2 280 239**			2 655 982

The main terms and conditions of the 2006 and 2010 share option scheme for key employees and 2008 Loyal Customers option scheme are presented in the following table:

	2006B	**2006C**	**2006D**	**Loyal customer options 2008**	**2010A**
Period for subscription	1.3.09–31.3.11	1.3.10–31.3.12	1.3.11–31.3.13	2.5.11–31.5.11 2.5.12–31.5.12	1.3.13–31.3.15
Maximum number of share options	375 000	375 000	375 000	2 500 000	500 000
Number of options granted at December 31, 2010	187 500	360 000	0	1 248 739	484 000
Subscription price, EUR 1)	30,45	27,18	27,18	8,79	24,87
Vesting period	13.6.06- 28.2.09	21.4.08- 28.2.10	21.4.08- 28.2.11	1.1.08- 31.12.09	27.4.10- 28.2.13
Contract vesting conditions	ROCE- and EBIT-targets for the years 2006-2008	-	ROCE- and EBIT-targets for the years 2008-2010	-	-

1) Reduced by dividends paid, effect of 2009 rights issue and 2010 dividend payout proposed by the Board of Directors.

The fair value at the grant date of share options granted has been defined using the Black-Scholes option pricing model. The main conditions of the share option program have been taken into account in the valuation. The fair value is recognized as expense over the vesting period of the option. During the financial period 1 January – 31 December, 2010, share options had an impact on the Group's profit of EUR 0.3 million. The estimated expenses that haven't been booked in the income statement, amount to EUR 2.2 million.

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

	2006B I	**2006B II**	**2006C**	**2006D**	**Loyal customer options 2008**	**2010A**
Options granted	13.6.2006	2007	21.4.2008	21.4.2008	10.2.2010	27.4.2010
Risk-free interest rate, %	3,4%	4,1%	3,9%	4,0%	3,7%	2,0%
Volatility, %	22,7%	23,7%	27,9%	27,1%	28,3%	29,0%
Expected average life of the share options (in years)	3,2	2,1	2,4	3,4	1,8	5,0

Share price at grant date, EUR	29,39	31,61	24,40	24,40	28,30	23,66
Fair value of the option determined at the grant date, EUR	3,79	4,40	3,17	4,19	5,11	6,00

Volatility has been estimated from the historical volatility of the share for a period corresponding to the life of the share option.

19. Non-current liabilities, interest-bearing

EUR	Carrying amount 2010	Fair value 2010	Carrying amount 2009	Fair value 2009
Loans from financial institutions	**409 947 682,93**	**413 668 168,94**	620 511 622,34	620 798 579,50
Pension loans	**106 481 469,24**	**108 791 971,10**	159 743 951,27	162 417 583,27
Finance leases	**4 307 675,47**	**4 307 675,47**	5 873 458,04	5 873 458,04
Other liabilities	**524 275,48**	**524 275,48**	798 062,08	798 062,08
Total	**521 261 103,13**	**527 292 091,00**	786 927 093,74	789 887 682,89

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

20. Current liabilities

EUR	Carrying amount 2010	Fair value 2010	Carrying amount 2009	Fair value 2009	Carrying amount 2008	Fair value 2008
Loans from financial institutions	**50 000 000,00**	**50 090 282,00**				
Current account with overdraft facility	**298 039,37**	**298 039,37**	524 657,92	524 657,92	718 674,06	718 674,06
Pension loans	**53 333 333,35**	**54 490 491,49**				
Finance leases	**1 565 782,56**	**1 565 782,56**	1 482 984,16	1 482 984,16		
Other interest-bearing liabilities	**186 805 512,93**	**186 934 680,35**	273 719,11	273 719,11	19 283 700,62	19 283 700,62
Trade payables	**113 863 694,67**	**113 863 694,67**	91 747 696,32	91 747 696,32	95 508 321,35	95 508 321,35
Other current liabilities	**46 278 183,19**	**46 278 183,19**	42 446 062,01	42 446 062,01	43 282 099,36	43 282 099,36
Accruals and prepaid income	**86 320 302,94**	**86 320 302,94**	73 467 601,12	73 467 601,12	79 573 237,30	79 573 237,30
Derivative contract liabilities	**42 787 178,38**	**42 787 178,38**	5 324 682,42	5 324 682,42	862 579,64	862 579,64
Income tax liability	**1 650 732,84**	**1 650 732,84**	3 087 546,38	3 087 546,38	1 075 318,35	1 075 318,35
Total	**582 902 760,23**	**584 279 367,80**	218 354 949,43	218 354 949,43	240 303 930,68	240 303 930,68
of which interest-bearing	**292 002 668,20**	**293 379 275,77**	2 281 361,19	2 281 361,19	20 002 374,68	20 002 374,68

The fair value of loans from financial institutions, pension loans and issued commercial papers has been defined using the discounted cash flow method by discounting at the market interest rate at the balance sheet date. The fair value of other current liabilities corresponds to their carrying amount.

Material item in accruals and prepaid income is accrued employee benefits expenses.

Expiration dates of the financial lease liabilities

EUR	2010	2009
The nominal value of the finance lease liabilities		
During one year	**1 830 277,08**	1 830 277,08
Over one year and at the most five years from now	**4 575 692,70**	6 405 969,78
Total	**6 405 969,78**	8 236 246,86
The net present value of the finance lease liabilities		
During one year	**1 565 782,59**	1 482 984,15
Over one year and at the most five years from now	**4 307 675,49**	5 873 458,03
Total	**5 873 458,08**	7 356 442,18
Financial expenses of the lease agreements expiring in the future	**532 511,70**	879 804,68
Financial lease liabilities total	**6 405 969,78**	8 236 246,86

During 2009 assets leased by sale and leaseback arrangements in which the Group assumes substantially all the risks and rewards incident to ownership of the asset are classified leased by finance lease agreements. According to the contract the interest is based on the five years interest swap contract.

21. Deferred tax assets and deferred tax liabilities

Changes in deferred taxes during 2010:

Deferred tax assets

EUR	1.1.2010	Recognized in income statement	Recognized in equity	Translation difference	31.12.2010
Confirmed losses	2 117 249,00	3 379 095,93		0,00	5 496 344,93
Measurement of derivatives and other financial instruments at fair value	135 761,41	-135 351,92			409,49
Difference between carrying amounts and tax bases of property, plant and equipment	1 434 094,80	60 190,47		97 451,88	1 591 737,15
Financial lease	24 701,60	33 973,74			58 675,34
Other temporary differences	1 425 431,62	53 799,32	6 898,50	91 962,53	1 578 091,97
Total	5 137 238,44	3 391 707,54	6 898,50	189 414,40	8 725 258,88

Deferred tax liabilities

EUR	1.1.2010	Recognized in income statement	Recognized in equity	Translation difference	31.12.2010
Cumulative depreciation differences	27 431 163,03	3 935 180,39		726 765,42	32 093 108,84
Difference between carrying amount and tax bases of prop., plant and equip.	5 260 484,84	1 407 204,81		0,00	6 667 689,65
Measurement at fair value of intangible and tangible assets	19 233 581,97	-120 984,94		2 752 097,34	21 864 694,38
Unrelialized exchange rate difference on the non-current foreign currency loan	16 302 944,21	-16 302 944,21		0,00	
Other temporary differences	1 879 007,78	2 274 732,21	-1 571 634,81	568 038,23	3 150 143,41
Total	70 107 181,83	-8 806 811,74	-1 571 634,81	4 046 900,99	63 775 636,27

Confirmed losses on which deferred tax assets have not been recognized amount to EUR 45.4 million (2009 EUR 18.1 million). In accordance with IAS 12 paragraph 52 A, deferred tax liabilities have not been recorded on the profits, EUR 24.2 million (2009 EUR 23.2 million), of the Estonian subsidiary.

Changes in deferred taxes during 2009:

Deferred tax assets

EUR	1.1.2009	Recognized in income statement	Recognized in equity	Translation difference	31.12.2009
Confirmed losses	2 152 922,00	-35 673,00		0,00	2 117 249,00
Measurement of derivatives and other financial instruments at fair value	14 231,27	121 530,14			135 761,41
Difference between carrying amounts and tax bases of property, plant and equipment	1 146 251,62	125 073,06		162 770,13	1 434 094,80
Financial lease		24 701,60			24 701,60
Other temporary differences	1 172 849,71	91 212,18		161 369,73	1 425 431,62
Total	4 486 254,60	326 843,98		324 139,86	5 137 238,44

Deferred tax liabilities

EUR	1.1.2009	Recognized in income statement	Recognized in equity	Translation difference	31.12.2009
Cumulative depreciation differences	25 478 949,97	1 641 369,70		310 843,36	27 431 163,03
Difference between carrying amount and tax bases of prop., plant and equipment	5 706 755,40	-446 558,41		287,85	5 260 484,84
Measurement at fair value of intangible and tangible assets	18 676 013,28	-548 654,83		1 106 223,52	19 233 581,97
Unrealized exchange rate difference on the non-current foreign currency loan	27 189 782,43	-10 886 838,22		0,00	16 302 944,21
Other temporary differences	1 001 214,36	2 603 099,86	-1 854 060,23	128 753,78	1 879 007,78
Total	78 052 715,44	-7 637 581,90	-1 854 060,23	1 546 108,51	70 107 181,83

22. Carrying amounts and fair values of financial assets and liabilities classified according to IAS 39

Financial assets

Derivative contracts defined as cash flow hedges or as hedges of a net investment in foreign subsidiary

EUR	Carrying amount 2010	Fair value 2010	Carrying amount 2009	Fair value 2009
Derivative contracts	**584 831,97**	**584 831,97**	808 031,57	808 031,57

Financial assets at fair value trough profit or loss

EUR	Carrying amount 2010	Fair value 2010	Carrying amount 2009	Fair value 2009
Cash and cash equivalents	**36 715 525,43**	**36 715 525,43**	176 402 572,88	176 402 572,88
Derivative contracts	**2 176 214,39**	**2 176 214,39**	1 030 778,74	1 030 778,74
Non-current receivables	**394 630,08**	**394 630,08**	361 963,91	361 963,91
Current receivables, interest-bearing	**41 417 818,67**	**41 417 818,67**	44 506 494,29	44 506 494,29
Current receivables, non-interest-bearing	**70 903 032,74**	**70 903 032,74**	82 025 251,90	82 025 251,90
Available-for-sale financial assets	**5 028 616,98**	**5 028 616,98**	5 030 297,52	5 030 297,52
Financial assets, total	**157 220 670,26**	**157 220 670,26**	310 165 390,80	310 165 390,80

Financial liabilities

Derivative contracts defined as cash flow hedges or as hedges of a net investment in foreign subsidiary

EUR	Carrying amount 2010	Fair value 2010	Carrying amount 2009	Fair value 2009
Derivative contracts	**1 579 238,75**	**1 579 238,75**	627 425,71	627 425,71

Financial liabilities at fair value trough profit or loss

Derivative contracts	**41 207 939,63**	**41 207 939,63**	4 697 256,70	4 697 256,70

Financial liabilities at amortized cost

EUR	Carrying amount 2010	Fair value 2010	Carrying amount 2009	Fair value 2009
Non-current interest-bearing liabilities	**521 261 103,13**	**527 292 091,00**	786 927 093,74	789 887 682,89
Current liabilities, interest-bearing	**292 002 668,20**	**293 379 275,77**	2 281 361,19	2 281 361,19
Current liabilities, non-interest-bearing	**248 112 775,45**	**248 112 775,45**	210 748 905,82	210 748 905,82
Financial liabilities, total	**1 104 163 725,16**	**1 111 571 320,59**	1 005 282 043,17	1 008 242 632,32

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

23. Pension obligations

Defined benefit pension plans

AB Lindex's Norwegian subsidiary Lindex AS has defined benefit pension plans. For the most part, the defined benefit pension plans cover old-age pensions and widows'/widowers' pensions in which the employer bears an obligation to pay a life-long pension which is either a percentage portion of salary or a specified amount. The right to an old-age pension is based on the time in service. The employee must be included in the plan for a specified time in order to earn the right to a full old-age pension. Each year the employee earns an additional pension entitlement, which is reported as the pension earned during the period and as an increase in the pension liability. The pension plan is funded through employer-made payments. The Group forecasts it will not pay for defined-benefit pension plans in 2011.

The defined benefit pension liability recognized in the balance

EUR	2010	2009
Present value of unfunded obligations	**675 239,20**	510 007,90
Deficit/surplus	**675 239,20**	510 007,90
Unrecognized actuarial gains (+) and losses (–)	**-523 564,77**	404 908,99
Social security contribution		213 625,63
Recognized net amount of liability	**151 674,42**	1 128 542,53

The defined benefit pension expense recognized in the income statement

EUR	2010	2009
Current service cost	**4 644,57**	39 911,75
Interest costs	**28 290,15**	18 674,81
Actuarial gains (-) and losses (+)	**-862 543,92**	-62 145,68
Social security contribution	**4 643,83**	8 260,80
Total	**-824 965,37**	4 701,69

Changes in the present value of the defined benefit obligation

EUR	2010	2009
Opening defined benefit obligation	**510 007,90**	302 569,57
Translation differences	**10 458,11**	18 239,18
Current service cost	**4 644,57**	39 911,75
Interest costs	**28 290,15**	18 674,81
Actuarial gains (-) and losses (+)	**193 016,44**	29 263,62
Translation differences	**36 812,44**	162 921,35
Benefits paid	**-107 990,41**	-61 572,38
Closing defined benefit obligation	**675 239,20**	510 007,90

Actuarial assumptions applied

	31.12.2010	31.12.2009
Discount rate	**3,6 %**	4,4 %
Future salary increases	**4,0 %**	4,5 %
Turnover of personnel	**0,5 – 8,0 %**	0,5 – 8,0 %
Inflation	**4,0 %**	4,0 %

Present value of unfunded obligations

EUR	2010	2009
Present value of unfunded obligations	**675 239,20**	510 007,90
Surplus (+) /Deficit (-)	**675 239,20**	510 007,90
Experience adjustments to plan liabilities		-16 039,50

24. Operating leases

The Group as lessee

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

EUR	2010	2009
Within one year	**174 150 860,83**	155 643 358,85
Within 1-5 years	**434 823 938,66**	408 070 473,11
In five years or more	**217 028 223,07**	217 714 827,46
Total	**826 003 022,56**	781 428 659,42

Lease payments

EUR	2010	2009
Within one year	**7 347 803,57**	7 485 729,59
Within 1-5 years	**12 817 345,40**	19 111 006,69
Total	**20 165 148,97**	26 596 736,28

25. Contingent liabilities

Collaterals given for own liabilities

EUR	2010		2009	
	Loan	**Security value**	Loan	Security value
Mortgages given for long-term pension loans	**100 000 000,00**	**200 000 000,00**	100 000 000,00	200 000 000,00
Other mortgages given		**1 681 879,26**		1 681 879,26
Guarantees		**333 637,59**		333 637,59
Securities pledged		**139 962,88**		590 473,52
Total		**202 155 479,75**		202 605 990,37

Liabilities, total

EUR	2010	2009
Mortgages	**201 681 879,28**	201 681 879,26
Guarantees	**333 637,59**	333 637,59
Pledges	**139 962,88**	590 473,52
Total	**202 155 479,75**	202 605 990,37

AB Lindex (publ.) has claimed through legal proceedings to be eligible to deduct in Swedish taxation the losses of approximately EUR 70 million incurred by Lindex Group's German subsidiary. In May The Administrative Court of Appeal in Gothenburg overturned the favorable decisions that AB Lindex had received in the County Administrative Court, and as a consequence Lindex was obliged to refund to the tax authorities approximately EUR 23.8 million in taxes and interest. The taxes that were refunded had no effect on the Stockmann Group's earnings, because Stockmann recorded the refunded amount of tax and interest as a reduction in Lindex's equity in the acquisition cost calculation. AB Lindex appealed against the decision of the Administrative Court of Appeal to the Supreme Administrative Court of Sweden, which in the summer of 2009 decided not to review the case. Further action by the company in this case will depend on the result of the legal process concerning the elimination of double taxation between AB Lindex and Lindex GmbH.

Investments in real estate

Certain group companies are required to adjust the VAT deductions made on real estate investments completed in 2006-2010 if the VAT-liable use of the real estate decreases during the adjustment period. The last adjustment year is 2020, and the maximum liability is EUR mill. 41.4.

26. Derivative contracts

Nominal values of derivative contracts

Derivative contracts defined as cash flow hedges or as hedges of a net investment in a foreign subsidiary

EUR	2010	2009
Currency forwards	**50 894 220,62**	28 862 535,70
Electricity forwards	**1 530 646,05**	2 987 938,21
Total	**52 424 866,68**	31 850 473,91

Derivative contracts, hedge accounting not applied

EUR	2010	2009
Currency swaps	**246 453 173,19**	23 800 897,74
Currency forwards	**220 476 116,17**	243 756 763,86
Electricity forwards	**1 683 145,97**	231 822,79
Total	**468 612 435,33**	267 789 484,39

Fair value of derivative contracts in year 2010

Derivative contracts defined as cash flow hedges or as hedges of a net investment in a foreign subsidiary

EUR	Positive	Negative	Net
Currency forwards	48 944,96	-1 579 238,75	-1 530 293,79
Electricity forwards	535 887,01		535 887,01
Total	**584 831,97**	**-1 579 238,75**	**-994 406,78**

Derivative contracts, hedge accounting not applied

EUR	Positive	Negative	Net
Currency swaps	535 161,00	-10 985 819,32	-10 450 658,32
Currency forwards	1 051 768,38	-30 222 120,31	-29 170 351,93
Electricity forwards	589 285,01		589 285,01
Total	**2 176 214,39**	**-41 207 939,63**	**-39 031 725,24**

Fair value of derivative contracts in year 2009

Derivative contracts defined as cash flow hedges or as hedges of a net investment in a foreign subsidiary

EUR	Positive	Negative	Net
Currency forwards	616 746,59	-341 467,71	275 278,87
Electricity forwards	191 284,98	-285 958,00	-94 673,02
Total	808 031,57	-627 425,71	180 605,85

Derivative contracts, hedge accounting not applied

EUR	Positive	Negative	Net
Currency swaps	94 968,40	-55 736,89	39 231,51
Currency forwards	935 810,34	-4 634 173,81	-3 698 363,48
Electricity forwards		-7 346,00	-7 346,00
Total	1 030 778,74	-4 697 256,70	-3 666 477,97

All the derivatives that are open on the balance sheet date, 31 December 2010, with the exception of electricity derivatives, fall due in one year.

Currency swaps and forward exchange contracts have been measured at fair value using market prices on the balance sheet date. The fair values of currency options are calculated using market quotations on the balance sheet date and the Black&Scholes option valuation model. Changes in the fair values of currency derivatives are recognized either in equity or in the profit and loss depending on whether hedge accounting has been applied to them. The fair values of electricity derivatives are based on market prices on the balance sheet date. Currency derivative contracts did not result in hedge accounting-related ineffectiveness that was to be recorded through profit and loss in 2010. EUR 0.59 million of the fair values of forward electricity contracts have been recognized in profit and loss because of the ineffectiveness associated with hedge accounting.

27. Hierarchical classification of financial assets and liabilities measured at fair value

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs which have a significant effect on the recorded fair value but which are not based on observable market data.

Fair value hierarchy 31 December 2010

EUR	Level 1	Level 2	Level 3	Total
Financial assets				
Available-for-sale investments 1)			**5 028 616,98**	**5 028 616,98**
Financial assets at fair value trough profit or loss				
Fund				
Derivative contracts defined as cash flow hedges or as hedges of a net investment in a foreign subsidiary				
Currency forwards		**48 944,96**		**48 944,96**
Electricity forwards	**535 887,01**			**535 887,01**
Derivative contracts, hedge accounting not applied				
Currency swaps		**535 161,00**		**535 161,00**
Currency forwards		**1 051 768,38**		**1 051 768,38**
Electricity forwards	**589 285,01**			**589 285,01**
Total	**1 125 172,02**	**1 635 874,34**	**5 028 616,98**	**7 789 663,34**

EUR	Level 1	Level 2	Level 3	Total
Financial liabilities				
Derivative contracts defined as cash flow hedges or as hedges of a net investment in a foreign subsidiary				
Currency forwards		**-1 579 238,75**		**-1 579 238,75**
Electricity forwards				
Derivative contracts, hedge accounting not applied				
Currency swaps		**-10 985 819,32**		**-10 985 819,32**
Currency forwards		**-30 222 120,31**		**-30 222 120,31**
Electricity forwards				
Total		**-42 787 178,38**		**-42 787 178,38**

Fair value hierarchy 31 December 2009

EUR	Level 1	Level 2	Level 3	Total
Financial assets				
Available-for-sale investments			5 030 297,52	5 030 297,52
Financial assets at fair value trough profit or loss				
Fund	101 198,21			101 198,21
Derivative contracts defined as cash flow hedges or as hedges of a net investment in a foreign subsidiary				
Currency forwards		616 746,59		616 746,59
Electricity forwards	191 284,98			191 284,98
Derivative contracts, hedge accounting not applied				
Currency swaps		94 968,40		94 968,40
Currency forwards		935 810,34		935 810,34
Total	292 483,19	1 647 525,32	5 030 297,52	6 970 306,03

EUR	Level 1	Level 2	Level 3	Total
Financial liabilities				
Derivative contracts defined as cash flow hedges or as hedges of a net investment in a foreign subsidiary				
Currency forwards		-341 467,71		-341 467,71
Electricity forwards	-285 958,00			-285 958,00
Derivative contracts, hedge accounting not applied				
Currency swaps		-55 736,89		-55 736,89
Currency forwards		-4 634 173,81		-4 634 173,81
Electricity forwards	-7 346,00			-7 346,00
Total	-293 304,00	-5 031 378,42		-5 324 682,42

Available-for-sale investments

EUR	2010	2009
Carrying amount Jan. 1	**5 030 297,52**	6 596 000,89
Sale of shares	**-0,17**	-1 556 579,26
Decrease of value and translation difference	**-1 680,38**	-9 124,10
Total	**5 028 616,96**	5 030 297,53

Available-for-sale investments consist of unlisted shares. Unlisted shares are stated at acquisition cost because their fair values cannot be determined reliably.

During the reporting period ending 31 December 2010, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

28. Related party transactions

Members of the Board of Directors and Management Committee belong to the Group's related party, as well as the parent company and subsidiaries and joint ventures. The relationships between the company's parent company and subsidiaries are shown in notes to the parent company's financial statements, under the header "Shares and participation"

The following transactions were carried out with related parties:

Management's employee benefits

EUR	2010	2009
Chief executive officer	**596 400,00**	564 780,00
Other members of the Management Committee	**2 135 554,00**	2 022 450,55
Emoluments to the members of the Board	**388 500,00**	367 000,00
Total	**3 120 454,00**	2 954 230,55

Emoluments *

EUR	2010	2009
Bergh Kaj-Gustaf	**41 000,00**	45 000,00
Etola Erkki	**54 500,00**	56 500,00
Liljeblom Eva	**43 500,00**	46 000,00
Niemistö Kari	**42 000,00**	45 000,00
Tallqvist-Cederberg Charlotta	**40 500,00**	
Taxell Christoffer	**81 500,00**	84 000,00
Teir-Lehtinen Carola	**42 000,00**	45 000,00
Wiklund Henry	**43 500,00**	45 500,00
Total	**388 500,00**	367 000,00

* paid in shares 5 953 pieces in 2010, (13 227 pieces in 2009).

Key employee share options 2006 & 2010

The group management had as of 31.12.2010 229 550 pcs granted options, of which 69 550 pcs were exercisable.

Loyal customer share options 2008

The group management had as of 31.12.2010 1 754 pcs granted options, of which all were exercisable.

Management's pension commitments

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

Other related party transactions

EUR	2010	2009
Rentals paid to companies controlled bymembers of the Board of Directors	**866 014,98**	826 502,40

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

29. Financial risk management

The Group's financing and the management of financial risks are handled on a centralized basis within Stockmann plc's Treasury function in accordance with the policy adopted by the Board of Directors. The objective of financial risk management is to ensure reasonable financing for the Group in all circumstances and to reduce the effects of market risks on the Group's profit and balance sheet. Group Treasury, which reports to the Chief Executive Officer of Stockmann plc, is responsible for managing and hedging financial exposures at Group level. It also acts as the internal bank of the Stockmann Group. Group Treasury acts in accordance with more detailed guidelines setting out the principles of managing financial risks as well as the management of liquidity and financing. The divisions have separate instructions for hedging their foreign exchange exposure.

The Group's main financial risks are currency risk, interest rate risk, liquidity risk, financing risk and counterparty risk. After the acquisition of the Swedish company AB Lindex in December 2007, Stockmann's capital structure changed significantly, with a concurrent significant increase in the interest rate and foreign exchange exposures.

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

Currency risk

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

Transaction risk

Stockmann's transaction risk derives from the currency flows connected with sales and purchases of the Group's business units as well as from loans and receivables denominated in foreign currency. The most important sales currencies are the euro, the Swedish krona, the Russian rouble, the Norwegian krone, the Latvian lat, and the primary purchasing currencies are the euro, the United States dollar, the Swedish krona, the Hong Kong dollar, the Norwegian krone and the British pound. In 2010, foreign-currency-denominated sales accounted for 46 per cent of the Group's entire sales, and purchases made in foreign currency made up 23 per cent of the Group's purchases.

The business units are responsible for forecasting future net cash flows denominated in foreign currency and for managing the currency risk connected with them. The management of currency risk related to operational cash flows is based on cash flow forecasts for the coming 6 months. The hedging period is generally a maximum of 6 months and the degree of hedging for individual currencies can vary in the range of 0–100%. Contracted cash flows can be hedged for longer periods.

Currency derivatives that are used to hedge forecasted cash flows are classified as cash flow hedges as defined by IAS 39. All outstanding contracts that are classified as cash flow hedges will mature during the first half of 2011. The gain/loss of these hedge instruments will affect the Group's operating profit in the same period during which the forecasted hedged items affect profit, which is approximately 4 months after maturity. Information about the fair value of these hedges is provided in Note 26. The table below shows the distribution of currency for outstanding derivatives hedging cash flows.

Foreign exchange derivatives hedging cash flows

EUR	2010	2009
USD	**46 508 004,04**	27 083 333,00
NOK	**-17 012 268,97**	-6 251 494,00
HKD	**2 696 040,67**	2 058 921,00
Total	**32 191 775,74**	22 890 760,00

At year-end, the outstanding cash flow hedges in US dollars covered approximately 63% of the estimated net USD flows for the coming 6 months.

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

Translation risk

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

The Group's currency exposures

2010, EUR	SEK	LVL	EEK*	RUB	LTL	NOK	CZK
Receivables	**839 807 981,00**	**8 699 270,00**		**29 948 555,00**	**3 777 152,00**	**21 150 000,00**	**11 043 534,00**
Loans from financial institutions	**-357 574 981,00**	**-510 000,00**				**-229 231,00**	

Trade payables and other current liabilities	**-30 504 664,00**	**-3 004 794,00**		**-12 503 675,00**	**-664 821,00**	**-345 185,00**	
Foreign currency exposure in the balance sheet	**451 728 336,00**	**5 184 476,00**		**17 444 880,00**	**3 112 331,00**	**20 575 584,00**	**11 043 534,00**
Foreign exchange derivatives hedging balance sheet items	**-484 780 743,00**	**-4 228 926,00**				**-15 297 189,00**	**-5 985 396,00**
Foreign currency loans hedging the net investment	**79 492 650,00**						
Net position in the balance sheet	**46 440 243,00**	**955 550,00**		**17 444 880,00**	**3 112 331,00**	**5 278 395,00**	**5 058 138,00**

2009, EUR	SEK	LVL	EEK	RUB	LTL	NOK
Receivables	743 793 577,00	8 887 631,00	1 162 000,00	21 539 139,00	10 085 882,00	21 063 253,00
Loans from financial institutions	-518 540 055,00	-499 000,00	-21 000,00			-6 531 687,00
Trade payables and other current liabilities	-16 085 996,00	-240 624,00	-24 797 135,00	-7 695 694,00		-217 605,00
Foreign currency exposure in the balance sheet	209 167 526,00	8 148 007,00	-23 656 135,00	13 843 445,00	10 085 882,00	14 313 961,00
Foreign exchange derivatives hedging balance sheet items	-242 349 279,00	-4 229 522,00				-9 036 145,00
Foreign currency loans hedging the net investment	43 268 923,00					
Net position in the balance sheet	10 087 170,00	3 918 485,00	-23 656 135,00	13 843 445,00	10 085 882,00	5 277 816,00

*) The currency exposure in EEK at the balance sheet date, 31 December 2010, has been excluded since Estonia joins the euro area on 1 January 2011.

A strengthening of five percentage points in the euro's exchange rate against all currencies would have an imputed effect of EUR -2.3 million (2009: EUR -0.5 million)on Stockmann's profit after taxes, and EUR -1.5 million (2009: EUR -1.9 million) on equity after taxes, at the balance sheet date of 31 December 2010. A weakening of five percentage points in the euro's exchange rate against all currencies would have an imputed effect of EUR +2.5 million (2009: EUR +0.5 million) on Stockmann's profit after taxes, and of EUR +1.6 million (2009: EUR +2.1 million) on equity after taxes, at the balance sheet date of 31 December 2010. In calculating the effect on equity, net investments in foreign subsidiaries have been taken into account.

Interest rate risk

Fluctuations in the level of interest rates affect the Group's interest expenses and interest income. Since acquiring Lindex, the Group's interest rate risk has grown significantly as a consequence of the increase in interest-bearing liabilities. The large Swedish Krona-denominated assets originating from this acquisition are financed with Swedish Krona-denominated debt and/or debt swapped to Swedish Krona. Thus, Stockmann is mainly exposed to fluctuations in Swedish interest rates. The objective of the Group's management of interest rate risk is to reduce the uncertainty to which Stockmann's earnings may be subjected due to changes in the level of interest rates. A dual approach is employed in managing interest rate risk. The Group's borrowings and investments are diversified across different maturities and, furthermore, floating rate and fixed-interest instruments are used. The duration of the loan and investment portfolio is a maximum of five years. Interest rate derivatives can be used in managing interest rate risk. At the balance sheet date, 31 December 2010, Stockmann's interest-bearing loans and bank receivables had a duration of 12.4 months. Interest rate derivatives were not in use.

The following table summarizes the interest terms of the Group's interest bearing liabilities and bank receivables at the balance sheet date 31 December 2010:

Interest rate adjustment period, EUR	**< 1 month**	**1–12 months**	**1–3 years**	**3–5 years**	**Total**
Loans from financial institutions	**198 895 272,16**	**105 274 880,18**		**156 120 904,49**	**460 291 056,83**
Pension loans		**53 333 333,33**	**106 481 469,24**		**159 814 802,57**
Finance leases				**5 873 458,08**	**5 873 458,08**
Other interest bearing liabilities	**70 772 987,43**	**116 032 525,49**	**478 940,91**		**187 284 453,82**
Total	**269 668 259,59**	**274 640 739,00**	**106 960 410,15**	**161 994 362,57**	**813 263 771,31**
Cash and bank receivables	**-36 715 525,43**				**-36 715 525,43**
Total	**232 952 734,16**	**274 640 739,00**	**106 960 410,15**	**161 994 362,57**	**776 548 245,88**

The following table summarizes the interest terms of the Group's interest bearing liabilities and bank receivables at the balance sheet date December 31, 2009:

Interest rate adjustment period, EUR	< 1 month	1–12 months	1–3 years	3–5 years	Total
Loans from financial institutions	515 759 246,53	105 322 368,23			621 081 614,76
Pension loans			106 666 666,66	53 077 284,61	159 743 951,27
Finance leases				7 356 442,20	7 356 442,20
Other interest bearing liabilities		273 719,11		752 727,59	1 026 446,70
Total	515 759 246,53	105 596 087,34	106 666 666,66	61 186 454,40	789 208 454,93
Cash and bank receivables	-176 402 572,88				-176 402 572,88
Total	339 356 673,66	105 596 087,34	106 666 666,66	61 186 454,40	612 805 882,05

A rise of one percentage point in market interest rates would have an imputed effect on Stockmann's profit after taxes of EUR -2.9 million (2009: EUR -2.4 million) at the balance sheet date, 31 December 2010. Correspondingly, a decline of one percentage point in market interest rates would have an imputed effect on Stockmann's profit after taxes of EUR +2.9 million (2009: EUR +2.4 million) at the balance sheet date, 31 December 2010. At the balance sheet date there were no items that are recognized directly in equity.

Electricity price risk

Lindex uses electricity derivatives to reduce the price risk affecting its future electricity procurements. In accordance with Lindex's financial policy, the degree of hedging of future electricity prices is a maximum of 100% for the coming three years. At the balance sheet date, 31 December 2010, a change of 10 percentage points in the market price of electricity has no material impact on Stockmann's profit and equity after taxes.

Financing and liquidity risk

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

At the end of the year Stockmann had credit facilities totaling EUR 1.396 million, of which EUR 811 million was drawn. In July 2010 a syndicated loan of EUR 800 million was refinanced with 5 committed bilateral credit facilities totaling EUR 700 million. EUR 650 million of the new facilities will mature in 2015 and EUR 50 million will mature in 2013. The Group also has bilateral committed long-term credit facilities with Finnish pension insurer Varma and with NIB as well as a committed bank loan agreement maturing in 2013. In addition to these credit facilities the Group has short-term committed credit lines of EUR 121 million, and a domestic commercial paper program of EUR 412.5 million.

Stockmann's borrowing is mostly unsecured. However, the pension loans from the Finnish pension insurer Varma are statutory secured by a mortgage. The bank financing arranged in July 2010 includes a financial covenant. The conditions in the loan agreements have been met during the year.

Cash and bank receivables as well as unused committed credit facilities

EUR	2010	2009
Cash and bank receivables	**36 715 525,43**	176 402 572,88
Credit facility, due in 2011		281 459 944,86
Credit facility, due in 2012		
Credit facility, due in 2013	**350 747,31**	710 559,71
Credit facility, due in 2014		
Credit facility, due in 2015	**342 784 731,41**	
Credit facility, due in 2016		
Overdraft facilities	**17 384 705,43**	37 477 298,12
Total	**397 235 709,58**	496 050 375,56

Cash flows based on agreements in financial liabilities, including financing costs, were the following at 31 December 2010:

EUR	2011	2012	2013	2014	2015+	Total
Loans from financial institutions	**61 934 876,48**	**20 646 255,99**	**85 488 273,72**	**17 440 300,26**	**327 422 074,02**	**512 931 780,47**
Pension loans	**57 971 666,35**	**56 285 000,33**	**54 598 333,32**			**168 855 000,00**
Finance leases	**1 830 277,05**	**1 830 277,08**	**1 830 277,08**	**915 138,52**		**6 405 969,73**
Other interest-bearing liabilities	**187 613 181,93**	**296 612,52**	**211 452,72**			**188 121 247,16**
Trade payables and other current liabilities	**246 462 180,81**					**246 462 180,81**
Derivatives	**42 787 178,38**					**42 787 178,38**
Total	**598 599 361,00**	**79 058 145,91**	**142 128 336,84**	**18 355 438,78**	**327 422 074,02**	**1 165 563 356,55**

Cash flows based on agreements in financial liabilities, including financing costs, were the following at 31 December 2009:

EUR	2010	2011	2012	2013	2014+	Total
Loans from financial institutions	13 025 124,30	580 449 040,98	11 412 662,05	25 651 356,55	23 012 488,17	653 550 672,06
Pension loans	5 060 000,00	57 971 666,33	56 285 000,33	54 598 333,34		173 915 000,00
Finance leases	1 830 277,08	1 830 277,08	1 830 277,08	1 830 277,08	915 138,54	8 236 246,86
Other interest-bearing liabilities	329 147,23	312 724,08	296 300,94	211 448,01		1 149 620,26
Trade payables and other current liabilities	207 983 247,86					207 983 247,86
Derivatives	5 324 682,42					5 324 682,42
Total	233 552 478,88	640 563 708,48	69 824 240,40	82 291 414,98	23 927 626,71	1 050 159 469,45

Credit and counterparty risk

Trade receivables as well as receivables based on investments and derivative contracts expose the Group to credit risk. The counterparty risk associated with investments and derivative contracts is managed by means of counterparty limits approved by the Board of Directors. Derivative contracts are entered into only with counterparties that are judged to be highly creditworthy and financially solid. Cash assets are invested in financial instruments that are judged to be liquid and to have a low risk. At the balance sheet date, 31 December 2010, the Group's liquid assets consisted mainly of deposits in banks, with a very short maturity. The Group does not incur major credit risk relating to commercial trade receivables because its outstanding receivables consist of a large amount of small receivables, and customers are primarily private individuals whose creditworthiness has been checked.

Ageing of trade receivables

EUR	**2010**	2009
Trade receivables not due	**46 123 203,13**	56 505 068,80
Trade receivables fallen due in 1–30 days	**8 964 594,67**	10 156 964,80
Trade receivables fallen due in 31–120 days	**1 192 516,77**	1 615 081,38
Trade receivables fallen due in over 120 days	**2 750 811,76**	3 415 362,07
Total	**59 031 126,33**	71 692 477,05

The carrying amount of trade receivables corresponds to the maximum amount of the credit risk for them. EUR 1.3 million of impairment losses were recognized on trade receivables in 2010 (2009: EUR 2.1 million), the impairment charge being made for trade receivables fallen due in over 120 days. Based on experience, Stockmann estimates that there is no need to recognize an impairment loss on trade receivables that have not fallen due.

Management of the capital structure

The Group’s objective in managing the capital structure is an efficient capital structure that ensures the Group’s operating fundamentals in the capital markets in all conditions irrespective of volatility in the sector. Although the Group does not have a public credit rating issued by a credit rating agency, the objective is to maintain the same type of capital structure as do other retailers who have a good credit rating. The Group monitors the trend in its capital structure by measuring the proportion of equity to total capital (equity ratio). As a result of the acquisition of Lindex the Group has Swedish Krona-denominated assets which are hedged by Swedish Krona-denominated external loans and/or forwards. The fluctuations of the Swedish Krona have impact on the total assets and liabilities equally. The strategic goal is to have an equity ratio amounting to at least 40 per cent. The ratio of equity to total capital at December 31, 2010 was 43.1 per cent (at December 31, 2009 it was 44.1 per cent).

30. Error correction of financial periods 2007–2009

The Group discovered an error related to financial periods 2007–2009, which has been corrected retrospectively according to IAS 8 standard. The error concerned cost of goods sold, which was measured too low due to a calculation error. The error is corrected to the statement of comprehensive income and the opening balance of financial year 2009 as follows:

Statement of comprehensive income

EUR	Reported 2009	Corrected 2009	Reported 2008		Corrected 2008	
Raw material and consumables used	-852 823 844,42	-853 285 323,12	-969 589 379,06		-969 589 379,06	
Change in inventories, increase (+), decrease (-)	-27 927 435,16	-27 701 403,47	-2 108 573,56		-2 108 573,56	
Raw materials and consumables used, total	**-880 751 279,57**	**-880 986 726,59**	**-971 697 952,62**		**-971 697 952,62**	
Total expenses	-1 613 426 939,74	-1 613 662 386,76	-1 761 014 931,33		-1 761 014 931,33	
OPERATING PROFIT	**85 287 714,71**	**85 052 267,69**	**121 882 816,33**		**121 882 816,33**	
PROFIT BEFORE TAX	**61 297 905,41**	**61 062 458,39**	**71 742 088,66**		**71 742 088,66**	
PROFIT FOR THE PERIOD	**53 993 849,34**	**53 758 402,32**	**39 081 741,52**		**39 081 741,52**	
Profit for the period attributable to:						
Equity holders of the parent company	53 993 933,41	53 758 318,25	39 081 667,05		39 081 667,06	
Non-controlling interest	-84,07	-84,07	74,47		74,47	
EPS undiluted (EUR), adjusted for share issue	0,82	0,82	0,65	*)	0,65	*)
EPS diluted (EUR), adjusted for share issue	0,82	0,81	0,65	*)	0,65	*)
Consolidated statement of comprehensive income						
PROFIT FOR THE PERIOD	**53 993 849,34**	**53 758 402,32**	**39 081 741,52**		**39 081 741,52**	
Other comprehensive income						
Exchange differences on translating foreign operations	1 866 259,78	1 743 511,93	-6 798 710,79		-6 739 700,00	
Other comprehensive income for the year net of tax	514 425,99	391 678,15	-5 892 **148,11**		-5 833 **137,33**	
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**54 508 275,33**	**54 150 080,47**	**33 189 593,41**		**33 248 604,20**	
Total comprehensive income attributable to:						
Equity holders of the parent company	54 508 359,40	54 149 996,40	33 189 518,94		33 248 529,73	
Non-controlling interest	-84,07	-84,07	74,47		74,47	

*) Restated due to right issue in year 2009.

Key figures

The following table presents the key figures, which has been affected by the correction of prior error:

Return on equity, %	7,02	7,00	6,09	6,10
Return on capital employed, %	5,78	5,77	8,33	8,33
Capital employed, EUR mill.	1 552,11	1 551,99	1 482,11	1 481,68
Net gearing, %	72,10	72,20	107,40	107,60
Equity per share, EUR	11,96	11,94	11,17	11,15

Statement of financial position

EUR	Reported 2009	Corrected 2009	Reported 2008	Corrected 2008
ASSETS				
CURRENT ASSETS				
Inventories	**196 070 702,31**	**196 655 953,97**	**220 320 934,39**	**220 652 121,14**
Short-term receivables				
Receivables, non-interest-bearing	85 955 258,68	83 672 777,23	83 208 760,05	82 021 493,15
Current receivables, total	**130 964 912,23**	**128 682 430,79**	**150 638 827,02**	**149 451 560,12**

EQUITY AND LIABILITIES				
EQUITY				
Translation reserve	-4 923 451,01	-4 996 188,07	-6 789 710,79	-6 739 700,00
Retained earnings	239 433 334,93	238 130 915,35	216 897 295,43	215 780 127,32
EQUITY, TOTAL	**850 193 168,29**	**848 817 826,92**	**689 147 070,74**	**688 079 913,43**
CURRENT LIABILITIES				
Current liabilities, non-interest-bearing				
Trade payables and other current liabilities	213 307 930,27	212 986 041,86	219 014 646,09	219 226 232,35
Current receivables, total	**216 395 476,65**	**216 073 588,24**	**220 089 964,44**	**220 301 550,69**

31. Events after the balance sheet

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

Stockmann plc
Income Statement, FAS

	Ref.	1.1.-31.12.2010 EUR	% of Rev.	1.1.-31.12.2009 EUR	% of Rev.
REVENUE		**814 458 506.68**	100.0	651 823 231.49	100.0
Other operating income	2	**17 599 915.50**	2.2	20 670 103.00	3.2
Materials and services					
Materials and consumables:					
Purchases during the financial year		**492 015 816.96**		376 842 374.52	
Change in inventories, increase (-), decrease (+)		**-13 939 776.08**		6 662 799.69	
Materials and services, total		**478 076 040.88**	58.7	383 505 174.21	58.8
Wages, salaries and employee benefits expenses	3	**162 350 247.97**	19.9	135 583 705.00	20.8
Depreciation, amortisation and reduction in value	4	**14 627 809.17**	1.8	11 620 024.87	1.8
Other operating expenses	5	**139 478 077.64**	17.1	100 013 475.61	15.3
		794 532 175.66	97.6	630 722 379.69	96.8
OPERATING PROFIT		**37 526 246.52**	4.6	41 770 954.80	6.4
Financial income and expenses	6	**40 463 295.71**	5.0	50 302 405.44	7.7
PROFIT BEFORE EXTRAORDINARY ITEMS		**77 989 542.23**	9.6	92 073 360.24	14.1
Extraordinary items	7				
Extraordinary income		**12 510 000.00**		21 220 000.00	
Extraordinary expenses		**-53 020 000.00**		-36 298 000.00	
Extraordinary items, total		**-40 510 000.00**	-5.0	-15 078 000.00	-2.3
PROFIT BEFORE APPROPRIATIONS AND TAXES		**37 479 542.23**	4.6	76 995 360.24	11.8
Appropriations	8	**-15 896 734.13**	-2.0	-10 447 350.45	-1.6
Income taxes					
For the financial year		**49 071.30**		8 330 136.42	
For previous financial years		**20 658.73**		-46 297.18	
Income taxes, total		**69 730.03**	0.0	8 283 839.24	1.3
PROFIT FOR THE PERIOD		**21 513 078.07**	2.6	58 264 170.55	8.9

Stockmann plc
Balance sheet, FAS

ASSETS	Ref.	31.12.2010 EUR	31.12.2009 EUR
NON-CURRENT ASSETS			
Intangible assets	9		
Intangible rights		**11 489 941.08**	4 632 897.38
Goodwill		**1 940 715.20**	
Advance payments and projects in progress		**895 936.97**	649 404.08
Intangible assets, total		**14 326 593.25**	5 282 301.46
Property, plant, equipment	10		
Land and water		**12 492 158.96**	10 862 158.95
Buildings and constructions		**325 263 433.09**	262 100 461.60
Machinery and equipment		**12 159 409.40**	4 334 435.29
Modification and renovation expenses for leased premises		**6 491 980.90**	7 523 812.69
Other tangible assets		**55 173.49**	55 173.49
Advance payments and construction in progress		**5 567 903.84**	47 196 170.45
Property, plant, equipment, total		**362 030 059.68**	332 072 212.47
Investments	11		
Holdings in Group undertakings		**194 478 966.28**	132 124 134.69
Other shares and participations		**15 989 824.55**	15 989 824.72
Investments, total		**210 468 790.83**	148 113 959.41
NON-CURRENT ASSETS, TOTAL		**586 825 443.76**	485 468 473.34
CURRENT ASSETS			
Inventories			
Materials and consumables		**94 439 672.28**	66 154 129.38
Inventories, total		**94 439 672.28**	66 154 129.38
Non-current receivables			
Loans owed by Group undertakings		**1 071 265 013.25**	971 690 505.31
Non-current receivables, total		**1 071 265 013.25**	971 690 505.31
Current receivables	12		
Trade receivables		**53 794 300.42**	18 508 464.60
Amounts owed by Group undertakings		**58 055 096.44**	94 291 239.66
Other receivables		**4 274 068.27**	4 560 838.49
Prepayments and accrued income		**13 187 318.90**	3 776 810.21
Current receivables, total		**129 310 784.03**	121 137 352.96
Receivables, total		**1 200 575 797.28**	1 092 827 858.27
Cash and cash equivalents	13	**8 854 001.72**	153 622 909.18
CURRENT ASSETS, TOTAL		**1 303 869 471.28**	1 312 604 896.83
ASSETS, TOTAL		**1 890 694 915.04**	1 798 073 370.17

Stockmann plc
Balance sheet, FAS

EQUITY AND LIABILITIES

	Ref.	31.12.2010 EUR	31.12.2009 EUR
EQUITY	14-15		
Share capital		**142 292 000.00**	142 187 906.00
Premium fund		**186 346 445.72**	186 346 445.72
Reserve for invested unrestricted equity		**249 710 498.71**	248 360 920.00
Other funds		**43 728 921.17**	43 728 921.17
Retained earnings		**131 810 093.56**	124 609 821.96
Net profit for the financial year		**21 513 078.07**	58 264 170.55
EQUITY, TOTAL		**775 401 037.23**	803 498 185.40
ACCUMULATED APPROPRIATIONS	16	**94 425 249.18**	78 039 158.70
LIABILITIES			
Non-current liabilities			
Loans from credit institutions		**397 574 980.82**	608 540 055.14
Pension loans		**96 333 333.32**	133 000 000.00
Amounts owed to Group undertakings		**72 550 520.92**	64 104 261.32
Non-current liabilities, total		**566 458 835.06**	805 644 316.46
Current liabilities	17-18		
Loans from credit institutions		**52 805 389.36**	2 476 420.48
Pension loans		**48 166 666.68**	
Other interest bearing loan		**186 531 832.40**	
Trade payables		**61 570 196.35**	50 981 640.35
Amounts owed to Group undertakings		**2 438 329.08**	4 875 971.23
Other payables		**28 815 421.34**	25 007 522.55
Accrued expenses and prepaid income		**74 081 958.36**	27 550 155.00
Current liabilities, total		**454 409 793.57**	110 891 709.61
LIABILITIES, TOTAL		**1 020 868 628.63**	916 536 026.07
EQUITY AND LIABILITIES, TOTAL		**1 890 694 915.04**	1 798 073 370.17

Stockmann plc
Cash flow statement

	2010 EUR	2009 EUR
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the financial year	**21 513 078.07**	58 264 170.55
Adjustments:		
Depreciation	**14 627 809.17**	11 620 024.87
Other operating income		-250 109.20
Other adjustments	**42 025 553.12**	16 982 119.60
Financial income and expenses	**-40 463 295.71**	-50 302 405.44
Appropriations	**15 896 734.13**	10 447 350.45
Income taxes	**69 730.03**	8 283 839.24
Changes in working capital:		
Change in trade and other receivables	**8 488 065.66**	6 267 264.48
Change in inventories	**-13 898 029.02**	6 662 799.69
Change in trade payables and other liabilities	**54 270 787.35**	-350 294.51
Interest and other financial expenses paid	**-20 958 990.19**	-25 537 940.95
Interest received	**34 048 320.28**	52 588 569.36
Income taxes paid	**-9 249 806.81**	5 278 140.50
NET CASH FROM OPERATING ACTIVITIES	**106 369 956.08**	99 953 528.64
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on tangible and intangible assets	**-50 214 450.90**	-55 047 832.05
Additions to holdings in Group undertakings	**-81 156 657.30**	-44 646 098.00
Proceeds from disposal of subsidiary shares		5 600 000.00
Proceeds from disposal of tangible assets		20 400.00
Proceeds from disposal of other investments		1 800 200.00
Loans granted	**-61 666 658.42**	-51 276 339.45
Proceeds from repayments of loans	**56 466 041.77**	48 182 437.86
Dividends received	**34 139 680.06**	36 470 086.19
NET CASH FROM INVESTING ACTIVITIES	**-102 432 044.79**	-58 897 145.45
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (+)/repayment of (-) loan receivables	**-57 668 582.12**	45 010 720.39
Proceeds from issue of share capital	**1 453 672.71**	136 965 926.59
Proceeds from sale of own shares		5 130 789.80
Proceeds from (+)/repayment of (-) short-term loans	**186 860 801.28**	-17 891 317.28
Repayments of long-term loans	**-721 487 615.65**	-216 203 564.14
Proceeds from long-term loans	**527 200 551.19**	209 251 084.45
Dividends paid	**-51 187 646.16**	-38 017 700.31
Proceeds from (+)/ payment of (-) extraordinary items	**-33 878 000.00**	-19 950 198.00
NET CASH FROM FINANCING ACTIVITIES	**-148 706 818.75**	104 295 741.50
Change in cash and cash equivalents	**-144 768 907.46**	145 352 124.69
Cash and cash equivalents at start of the financial year	**153 622 909.18**	8 270 784.49
Cash and cash equivalents at end of the financial year	**8 854 001.72**	153 622 909.18

1. ACCOUNTING PRINCIPLES

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

Hobby Hall's business was integrated with the company's operations during the financial year. As a consequence, the income statement and balance sheet are not fully comparable with those for the previous year.

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

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

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

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

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

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

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

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

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

Following completion of the enlargement and renovation project at the Helsinki department store, the department store building's outstanding period of depreciation according to plan has been adjusted for standardisation reasons, so that also in respect of capital expenditure made prior to the project it is, correspondingly, 50 years, beginning in 2010.

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

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

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

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

2. Other operating income

EUR	**2010**	2009
Compensation for services to Group companies	**8 845 203.04**	11 094 130.56
Income from credit card co-operation	**4 533 563.30**	5 113 987.56
Rental income from subsidiaries	**4 158 523.45**	4 056 842.67
Group internal capital gains		244 261.68
Other capital gains		6 488.46
Other operating income	**62 625.71**	154 392.07
Total	**17 599 915.50**	20 670 103.00

3. Wages, salaries and employee benefits expenses

EUR	**2010**	2009
Salaries and emoluments paid to the CEO and his alternate	**596 400.00**	564 780.00
Salaries and emoluments paid to the Board of Directors	**388 500.00**	367 000.00
Other wages and salaries	**126 657 577.19**	106 613 623.91
Wages during sick leave	**4 260 801.42**	3 696 378.50
Pension expenses	**22 820 439.87**	18 562 334.48
Other staff expenses	**7 626 529.49**	5 779 588.11
Total	**162 350 247.97**	135 583 705.00

Staff, average	**5 319**	4 757

Management pension liabilities

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

4. Depreciation and reduction in value

EUR	**2010**	2009
Intangible rights	**1 831 905.20**	1 183 476.29
Goodwill	**215 635.02**	
Modification and renovation expenses for leased premises	**1 449 766.75**	1 631 538.11
Buildings and constructions	**8 731 344.91**	6 744 325.10
Machinery and equipment	**2 399 157.29**	2 060 685.37
Total	**14 627 809.17**	11 620 024.87

5. Other operating expenses

EUR	**2010**	2009
Site expenses	**72 178 470.51**	61 020 027.09
Marketing expenses	**24 434 324.16**	11 596 633.78
Goods handling expenses	**11 723 725.67**	3 983 460.29
Voluntary indirect employee expenses	**3 135 039.86**	1 408 947.47
Credit losses	**1 447 889.90**	7 534.94
Other expenses	**26 558 627.54**	21 996 872.04
Total	**139 478 077.64**	100 013 475.61

Auditors' fees

EUR	**2010**	2009
Audit fees	**172 400.00**	151 762.00
Tax consulting	**23 650.00**	37 920.00
Certificates and advice	**1 750.00**	2 361.00
Other services	**19 350.00**	97 622.00
Total	**217 150.00**	289 665.00

6. Financial income and expenses

EUR	**2010**	2009
Interim dividend from Group undertakings	**19 931 961.41**	34 139 680.06
Other dividend income	**272 902.09**	149 939.00
Interest income from Group undertakings	**33 099 199.02**	52 200 195.88
Interest income from interest-bearing trade receivables	**407 041.42**	100 614.02
Other interest and financial income from parties outside the Group	**858 433.10**	912 082.99
Interest expenses to Group undertakings	**-343 725.96**	-1 591 876.56
Interest expenses to parties outside the Group	**-21 333 648.89**	-23 995 240.40
Other financial expenses to parties outside the Group	**-317 366.04**	-3 972 311.88
Foreign exchange losses and gains (net)	**7 888 499.56**	-7 640 677.67
Total	**40 463 295.71**	50 302 405.44

7. Extraordinary items

EUR	**2010**	2009
Group contributions from Group companies	**12 510 000.00**	21 220 000.00
Group contributions to Group companies	**-53 020 000.00**	-36 298 000.00
Total	**-40 510 000.00**	-15 078 000.00

8. Appropriations

EUR	**2010**	2009
Change in depreciation reserve		
Intangible rights	**-844 568.21**	-32 052.62
Modification and renovation expenses for leased premises	**218 370.69**	297 265.10
Buildings and constructions	**-13 665 094.48**	-10 599 689.34
Machinery and equipment	**-1 605 442.13**	-112 873.59
Total	**-15 896 734.13**	**-10 447 350.45**

9. Intangible assets

EUR	**2010**	2009
Intangible rights		
Acquisition cost Jan. 1	**7 299 041.86**	9 299 152.38
Increases	**7 602 936.96**	529 248.02
Transfers between items	**1 086 011.94**	474 701.85
Decreases	**-48 894.98**	-3 004 060.39
Acquisition cost Dec. 31	**15 939 095.78**	7 299 041.86
Accumulated depreciation Jan. 1	**2 666 144.48**	4 486 728.58
Depreciation on reductions	**-48 894.98**	-3 004 060.39
Depreciation for the financial year	**1 831 905.20**	1 183 476.29
Accumulated depreciation Dec. 31	**4 449 154.70**	2 666 144.48
Book value Dec. 31	**11 489 941.08**	4 632 897.38

Goodwill

EUR mill.	**2010**	2009
Increases	**2 156 350.2**	
Depreciation for the financial year	**215 635.02**	
Book value Dec. 31	**1 940 715.2**	

Advance payments and projects in progress

EUR	2010	2009
Acquisition cost Jan. 1	**649 404.08**	489 027.11
Increases	**1 332 544.83**	635 078.82
Transfers between items	**-1 086 011.94**	-474 701.85
Acquisition cost Dec. 31	**895 936.97**	649 404.08
Book value Dec. 31	**895 936.97**	649 404.08

Intangible assets, total	**14 326 593.25**	5 282 301.46

10. Tangible assets

EUR	2010	2009
Land and water		
Acquisition cost Jan. 1	**4 963 808.37**	4 963 808.37
Increases	**1 630 000.01**	
Acquisition cost Dec. 31	**6 593 808.38**	4 963 808.37
Revaluations Jan. 1 and Dec. 31	**5 898 350.58**	5 898 350.58
Book value Dec. 31	**12 492 158.96**	10 862 158.95

Buildings and constructions

EUR	2010	2009
Acquisition cost Jan. 1	**281 265 518.87**	161 787 884.72
Increases	**25 882 481.55**	
Transfers between items	**46 011 834.85**	120 412 614.91
Decreases	**-1 294 909.79**	-934 980.76
Acquisition cost Dec. 31	**351 864 925.48**	281 265 518.87
Accumulated depreciation Jan. 1	**45 695 766.87**	39 886 422.53
Depreciation on reductions	**-1 294 909.79**	-934 980.76
Depreciation for the financial year	**8 731 344.91**	6 744 325.10
Accumulated depreciation Dec. 31	**53 132 201.99**	45 695 766.87
Revaluations Jan. 1 and Dec. 31	**26 530 709.60**	26 530 709.60
Book value Dec. 31	**325 263 433.09**	262 100 461.60

Machinery and equipment

EUR	2010	2009
Acquisition cost Jan. 1	**12 377 381.21**	26 203 448.54
Increases	**749 920.25**	79 237.55
Transfers between items	**9 474 211.15**	2 305 586.64
Decreases	**-2 613 492.40**	-16 210 891.52
Acquisition cost Dec. 31	**19 988 020.21**	12 377 381.21
Accumulated depreciation Jan. 1	**8 042 945.92**	22 179 240.53
Depreciation on reductions	**-2 613 492.40**	-16 196 979.98
Depreciation for the financial year	**2 399 157.29**	2 060 685.37
Accumulated depreciation Dec. 31	**7 828 610.81**	8 042 945.92
Book value Dec. 31	**12 159 409.40**	4 334 435.29

Modification and renovation expenses for leased premises

EUR	**2010**	2009
Acquisition cost Jan. 1	**14 983 232.74**	17 913 104.73
Increases	**417 934.96**	374 651.86
Decreases	**-1 006 782.92**	-3 304 523.85
Acquisition cost Dec. 31	**14 394 384.78**	14 983 232.74
Accumulated depreciation Jan. 1	**7 459 420.05**	9 132 405.81
Depreciation on reductions	**-1 006 782.92**	-3 304 523.85
Depreciation for the financial year	**1 449 766.75**	1 631 538.09
Accumulated depreciation Dec. 31	**7 902 403.88**	7 459 420.05
Book value Dec. 31	**6 491 980.90**	7 523 812.69

Other tangible assets

EUR	**2010**	2009
Acquisition cost Jan.1 and Dec. 31	**55 173.49**	55 173.49
Book value Dec. 31	**55 173.49**	55 173.49

Advance payments and construction in progress

EUR	**2010**	2009
Acquisition cost Jan. 1	**47 196 170.45**	117 963 602.20
Increases	**13 857 779.39**	52 072 031.61
Transfers between items	**-55 486 046.00**	-122 718 201.55
Decreases		-121 261.81
Acquisition cost Dec. 31	**5 567 903.84**	47 196 170.45
Book value Dec. 31	**5 567 903.84**	47 196 170.45

Tangible assets, total	**362 030 059.68**	332 072 212.47

Revaluations included in balance sheet values

EUR	**2010**	2009
Land and water	**5 898 350.58**	5 898 350.58
Buildings	**26 530 709.60**	26 530 709.60
Total	**32 429 060.18**	32 429 060.18

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

11. Investments

Holdings in Group undertakings

EUR	**2010**	2009
Acquisition cost Jan. 1	**132 124 134.69**	90 508 036.69
Increases	**81 156 657.30**	49 071 707.05
Decreases	**-18 801 825.71**	-7 455 609.05
Book value Dec. 31	**194 478 966.28**	132 124 134.69

Other shares and participations

EUR	**2010**	2009
Acquisition cost Jan. 1	**15 989 824.72**	17 546 403.98
Decreases	**-0.17**	-1 556 579.26
Book value Dec. 31	**15 989 824.55**	15 989 824.72

Investments, total	**210 468 790.83**	148 113 959.41

12. Current receivables

EUR	**2010**	2009
Interest-bearing trade receivables	**41 613 071.57**	329 046.11
Non-interest bearing trade receivables	**12 181 228.85**	18 179 418.49
Trade receivables, total	**53 794 300.42**	18 508 464.60

Amounts owed by Group undertakings

EUR	**2010**	2009
Dividend receivables	**19 931 961.41**	34 139 680.06
Loan receivables		22 387 807.40
Group contribution receivables	**12 510 000.00**	21 220 000.00
Account receivables	**23 531 955.14**	13 594 560.42
Trade receivables	**2 081 179.89**	2 117 556.58
Prepayments and accrued income		499 277.09
Other current receivables		332 358.11
Total	**58 055 096.44**	94 291 239.66

Essential items in prepayments and accrued income

EUR	**2010**	2009
Income taxes	**8 307 732.98**	
Receivable from credit card co-operation	**1 172 458.65**	936 949.17
Discounts	**1 016 268.13**	624 705.70
indirect employee expenses	**1 079 693.00**	720 000.00
Periodized financial income	**340 024.51**	990 185.50
Other prepayments and accrued income	**1 271 141.63**	504 969.84
Total	**13 187 318.90**	3 776 810.21

13. Cash and cash equivalents

Cash and cash equivalents comprise bank deposits and cash in hand.
Their book value is equivalent to their market value.

14. Changes in equity

EUR	**2010**	2009
Share capital		
Series A shares Jan. 1	**61 255 126.00**	53 164 098.00
Share issue		8 091 028.00
Series A shares Dec. 31	**61 255 126.00**	61 255 126.00
Series B shares Jan. 1	**80 932 780.00**	70 242 574.00
Share issue	**104 094.00**	10 690 206.00
Series B shares Dec. 31	**81 036 874.00**	80 932 780.00
Share capital, total	**142 292 000.00**	142 187 906.00

Premium fund Jan. 1 and Dec. 31	**186 346 445.72**	186 346 445.72
Reserve for invested unrestricted equity Jan. 1	**248 360 920.00**	126 210 600.00
Share issue	**1 349 578.71**	122 150 320.00
Reserve for invested unrestricted equity Dec. 31	**249 710 498.71**	**248 360 920.00**
Other funds Jan. 1 and Dec. 31	**43 728 921.17**	43 728 921.17
Retained earnings Jan. 1	**182 873 992.51**	157 124 932.64
Dividends	**-51 187 646.16**	-38 039 220.22
Dividends which haven't been drawn	**123 747.21**	78 410.03
Sale of own shares		5 130 789.80
Share bonuses		314 909.71
Total	**131 810 093.56**	124 609 821.96
Net profit for the financial year	**21 513 078.07**	58 264 170.55
Equity, total	**775 401 037.23**	803 498 185.40

Breakdown of distributable funds Dec. 31

EUR	**2010**	2009
Other funds	**293 439 419.88**	292 089 841.17
Retained earnings	**131 810 093.56**	124 609 821.96
Net profit for the financial year	**21 513 078.07**	58 264 170.55
Total	**446 762 591.51**	474 963 833.68

15. The parent company's shares

Par value EUR 2.00	**Number of shares**	Number of shares
Series A shares (10 votes each)	**30 627 563**	30 627 563
Series B shares (1 vote each)	**40 518 437**	40 466 390
Total	**71 146 000**	71 093 953

16. Accumulated appropriations

The accumulated appropriations comprise accumulated depreciation difference.

17. Current liabilities

EUR	**2010**	2009
Interest-bearing liabilities	**287 503 888.44**	2 476 420.48
Non-interest-bearing liabilities	**166 905 905.13**	108 415 289.13
Total	**454 409 793.57**	110 891 709.61

Amounts owed to Group undertakings

EUR	**2010**	2009
Group contributions payable	**320 000.00**	2 398 000.00
Trade payables, non-interest-bearing	**786 110.10**	1 334 551.91
Other current liabilities, non-interest-bearing	**1 208 258.82**	1 134 224.76
Accrued liabilities, interest-free	**123 960.16**	9 194.56
Total	**2 438 329.08**	4 875 971.23

18. Essential items in accruals and prepaid income

EUR	**2010**	2009
Derivative payables	**41 142 478.42**	4 115 162.66
Staff expenses	**29 272 596.75**	21 104 607.58
Interest and other financial expenses	**1 530 208.10**	953 877.40
Reserve for returns	**682 727.95**	
Income taxes	**187 047.20**	926 636.43
Other accrued expenses	**1 266 899.94**	449 870.93
Total	**74 081 958.36**	27 550 155.00

19. Security pledged

EUR	**2010**		2009	
Security pledged on behalf of the company	**Loan**	**Security value**	Loan	Security value
Mortgages given for long-term pension loans	**100 000 000.00**	**200 000 000.00**	100 000 000.00	200 000 000.00
Other mortgages given		**1 681 879.26**		1 681 879.26
Security pledged on behalf of the company, total		**201 681 879.26**		201 681 879.26

	2010	2009
Security pledged on behalf of Group undertakings		
Rent guarantees	**40 055 796.85**	39 580 482.96
Other guarantees	**25 365 671.97**	26 743 108.48
Total	**65 421 468.82**	66 323 591.44
Security pledged, total		
Mortgages	**201 681 879.26**	201 681 879.26
Guarantees	**65 421 468.82**	66 323 591.44
Total	**267 103 348.08**	268 005 470.70

20. Other commitments

EUR	**2010**	2009
Leasing commitments		
Payable during one year	**6 685 807.52**	5 092 184.81
Payable during more than one year	**11 521 411.58**	13 075 736.42
Total	**18 207 219.10**	18 167 921.23

Investments in real estate

The company is required to adjust the VAT deductions made on real estate investments completed in 2005-2010, if the VAT-liable use of the real estate decreases during the adjustment period. The last adjustment year is 2019, and the maximum liability is EUR 41 371 234. In 2009 the maximum liability was EUR 33 766 370.

Pension liabilities

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

Shares and participations

Group undertakings

Parent company holdings	Number	Shareholding %	Voting rights %	Currency	Book value	Shareholders' equity
Seppälä Oy, Helsinki	30 000	100	100	EUR	5 046 000.00	13 485 040.15
Stockmann AS, Tallinn	16 200	100	100	EEK	1 022 193.07	25 249 867.81
SIA Stockmann, Riga	1 615 500	100	100	LVL	4 830 564.93	2 621 910.91
SIA Stockmann Centrs, Riga	31 500	63	63	LVL	115 577.78	2 269 966.57
Oy Stockmann Russia Holding Ab, Helsinki	4 000	100	100	EUR	118 611 270.21	2 683 918.25
Z-Fashion Finland Oy, Helsinki	50	100	100	EUR	8 483.18	414 878.67
Oy Suomen Pääomarahoitus- Finlands Kapitalfinans Ab, Helsinki	1 000	100	100	EUR	1 682 000.00	2 267 317.56
UAB Stockmann, Vilnius	52 000	100	100	LTL	9 497 539.88	2 048 865.31
Stockmann Sverige AB, Stockholm	100 000	100	100	SEK	48 843 170.23	79 492 649.66
Kiinteistö Oy Friisinkeskus II, Espoo	1 948	97	97	EUR	612 348.47	734 296.27
Kiinteistö Oy Muuntajankatu 4, Helsinki	50	100	100	EUR	3 271 810.81	2 190 129.19
Kiinteistö Oy Stävö, Helsinki	50	100	100	EUR	8 500.00	8 552.53
Oy Hullut Päivät-Galna Dagar Ab, Helsinki	40	100	100	EUR	11 000.00	10 998.49
Espoon Autotalo Oy, Espoo	400	100	100	EUR	463 038.09	35 018.01
TF-Autokeskus Oy, Vantaa	600	100	100	EUR	455 469.63	293 760.06
Parent company holdings, total					194 478 966.28	133 807 169.44

Holdings of subsidiaries	Number	Shareholding %	Voting rights %	Currency	Book value	Shareholders' equity
ZAO Stockmann, Moscow	2 000	100	100	RUB	587 082.46	-5 578 296.65
Oy Stockmann Russia Finance Ab, Helsinki	40 000	100	100	EUR	783 594.10	3 511 021.55
Stockmann Stp Centre Ltd, St Petersburg	5	100	100	RUB	13 037 388.43	51 577 385.61
TOV Stockmann, Kiev	1	100	100	EUR	1 306 258.62	300 397.00
AB Lindex, Gothenburg	68 750 000	100	100	SEK	894 837 077.81	131 751 747.59
AB Lindex holdings of subsidiaries						
Lindex Sverige AB, Gothenburg	36 000	100	100	SEK		
Lindex AS, Oslo	200 000	100	100	NOK		
Lindex Oy, Helsinki	13 000	100	100	EUR		
Lindex Oü, Tallinn		100	100	EEK		
Lindex SIA, Riga		100	100	LVL		
Lindex UAB, Vilnius		100	100	LTL		
Lindex s.r.o, Prague	200	100	100	CZK		
AB Espevik, Alingsås	1 000	100	100	SEK		
Espevik i Sverige AB, Gothenburg	400 000	100	100	SEK		
Lindex H.K. Ltd, Hong Kong	9 900	99	99	HKD		
Shanghai Lindex Consulting Company Ltd, Shanghai		100	100	CNY		
Lindex Financial Services AB, Gothenburg	13 230	100	100	SEK		
Lindex India Private Ltd, New Delhi	10 000	100	100	INR		
It will be fit AB, Gothenburg	1 000	100	100	SEK		
Lindex Slovak		100	100	SEK		
Lindex Poland		100	100	SEK		
Group undertakings owned by subsidiaries, total					910 551 401.42	181 562 255.10
Group undertakings, total					1 105 030 367.70	315 369 424.54

Joint ventures	Number	Shareholding %	Currency	Book value
Kiinteistö Oy Raitinkartano, Espoo	1 029	15.6	EUR	4 885 082.78
Kiinteistö Oy Tapiolan Säästötammi Fastighets Ab, Espoo	3 125	37.8	EUR	5 510 727.30
Joint ventures, total				10 395 810.08

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

Other undertakings

Parent company holdings	Number	Shareholding %	Currency	Book value
Kiinteistö Oy Raitinkartano, Espoo	1 029	15.6	EUR	5 532 884.94
Kiinteistö Oy Tapiolan Säästötammi Fastighets Ab, Espoo	3 125	37.8	EUR	6 241 944.22
Tuko Logistics Oy, Kerava	600	10.0	EUR	3 763 117.75
Others				451 877.64
Other parent company holdings, total				15 989 824.55

PROPOSAL FOR THE DISTRIBUTION OF PARENT COMPANY PROFIT

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

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

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

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

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

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

Helsinki, February 9, 2011

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

BOARD OF DIRECTORS

Christoffer Taxell

Kaj-Gustaf Bergh | Erkki Etola | Eva Liljeblom | Kari Niemistö

Charlotta Tallqvist-Cederberg | Carola Teir-Lehtinen | Henry Wiklund

CEO

Hannu Penttilä

Our auditor's report has been issued today.

Helsinki, February 16, 2011

Jari Härmälä
Authorized Public Accountant

Henrik Holmbom
Authorized Public Accountant

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

AUDITOR'S REPORT

To the Annual General Meeting of Stockmann plc

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Stockmann plc for the year ended December 31, 2010. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

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

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

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

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

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

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

Helsinki February 16, 2011

(signed)
Jari Härmälä
Authorized Public Accountant

(signed)
Henrik Holmbom
Authorized Public Accountant