CORPORATE GOVERNANCE STATEMENT 2010

Tiimari Plc complies with the Company's Articles of Association, Finland's Companies Act and the rules and regulations concerning listed companies, set by Nasdaq OMX Helsinki Plc. Tiimari also complies with the Corporate Governance Code for Finnish listed companies coming into force 1st January 2009 published by the Securities Market Association.

The ultimate decision-making power in the Tiimari Group ("The Company" or "The Group")) lies with the shareholders at the Annual General Meeting ("The Meeting"). The board of directors ("The Board") of Tiimari Plc is responsible for the governance and proper arrangements of operations of the Company. The Managing Director is responsible for the operational management in accordance to instructions and orders given by the Board.

Annual General Meeting

The General Meeting is held annually in Helsinki by the end of June at the latest. The Annual General Meeting decides on matters stipulated by the Companies Act and Articles of Association, such as approval of financial statements, distribution of dividends, discharging Board members and Managing Director from liability and election of the Company Auditor and their remuneration.

The notice to summon the Annual General Meeting must in accordance to the Articles of Association be published in one general newspaper chosen by the Board. Tiimari also publishes the notice on its website.

Annual General Meeting 2010

The Annual General Meeting of Tiimari Plc held 30th March 2010 approved the financial statements for 2009 and discharged the Board members and the Managing Director from liability. The Annual General Meeting also decided on the distribution of dividends. The Meeting decided on the number of board members and their remuneration as well as elected the board members for the term of office ending at the Annual General Meeting 2011.

The Annual General Meeting elected the company's auditor and decided on the auditor's fees in the Annual General Meeting.

The Annual General Meeting authorized the Board of Directors to decide on a share issue and on rights enitling to shares and to sell treasury shares with specified conditions.

Board of Directors

Under the Article of Association the Board of Directors consists of a minimum of 3 and a maximum of 8 members. The terms of office of the members will run from their election to the end of the following Annual General Meeting. The Board elects a Chairman and a Vice Chairman among its members. The Vice Chairman acts as a deputy for the Chairman should he be otherwise engaged.

Responsibilities and Charters of the Board

The responsibility of the Board is to govern the Company in accordance to the Finnish Companies Act, other legislation and official regulations, the Articles of Association and decision taken by the Annual General Meeting.

Under the charter approved by the Board of Directors, the Board is responsible for the governance and appropriate arrangement of operations in the Company, confirming the Company's business strategy and annual budget. The Board oversees the Company's solidity, profitability, liquidity and operational management. The Board approves the Company's principles for risk management, is responsible for preparing the financial statements, confirms the financial policy and decides on measures within the operative environment of the Company that are exceptional or especially significant, taking into consideration the quality and scope of the operations, unless these measures come within the responsibilities of the Annual General Meeting.

The Board appoints the Managing Director and a sufficient number of Management Group members and approves their terms of employment. The Board approves and decides on the general and management related remuneration principles as well as other far-reaching personnel matters. The Board also decides on Board committees and their duties. In addition, the Board regularly assesses its own operations and cooperation with the management.

Board of Directors in 2010

The Annual General Meeting elected 6 members to the Board of Directors in 30th March 2010.

The Chairman of the Board during the end of the financial year was Hannu Ryöppönen, the Vice Chairman was Juha Mikkonen and the members were Sven-Olof Kulldorff, Sissi Silvan, Markku Pelkonen and Alexander Rosenlew. None of the board members are employed by the Company.

Information on the board members is presented on the Company's web site.

The Board convened 20 times during 2010. The members participated in all meetings with some exceptions.

All board members are independent from the company. All board members apart from Juha Mikkonen are independent from the biggest shareholders.

Board Committees

The Board of Directors has nominated two committees during the year 2010: Audit Committee and Nomination and Compensation committee.

1. The responsibility of the Audit Committee is to monitor the reporting process applicable to the Company's financial statements, supervising the Group reporting process and the statutory audit of the Company and Group, assess the independence of the auditor and the additional services provided by the latter and prepare the nomination and remuneration proposal to the Annual General Meeting. Additionally, the Audit Committee monitors the efficacy of the Company's internal control and risk management, reviews the description of the main principles relating to internal control and risk management associated with the financial reporting process provided by the Company's administration and control system.

   The Chairman of the Audit Committee at the end of the financial year was Juha Mikkonen and the members were Hannu Ryöppönen and Sissi Silvan. The Audit Committee convened five times during 2010. The members attended all meetings held.

2. The responsibility of the Nomination and Compensation committee is the prepare proposals to the Annual General Meeting relating to board composition after consulting major shareholders as well as preparing proposals to the General Meeting relating to board member remuneration. The Committee prepares proposals to the Board relating to sub- committee composition, appointment of the Managing Director and employment benefit and management remuneration related matters. The Chairman of the Nomination and Compensation committee is Hannu Ryöppönen and the members are Alexander Rosenlew and Juha Mikkonen. The Committee convened 3 times during 2010.

Managing Director

The Board appoints and when necessary dismisses the Company's Managing Director. The Managing Director is responsible for the operative management of the business operations in accordance to the Articles of Association, legislation, official regulations and instructions and orders given by the Board. The Managing Director is responsible for the legality of the company accounting and the reliable management of assets. The Managing Director is supported by the Management Group. The Managing Director of Tiimari is Hannu Krook. The Managing Director does not have deputy. The personal details of the Managing Director are presented on the Group web site.

Other Management

Management Group

The Management Group consists of the managers responsible for the different operations in the Company and the Managing Director of Gallerix International AB. The Management Group convenes under the leadership of the Managing Director to prepare board presentations and review financing, financial issues, IT as well as matters concerning the coordination and development of cross segment issues, marketing, shop operations, purchasing and logistics.

Information on Management Group composition is presented on the Group web site.

Subsidiary Management

The subsidiaries have boards, which monitor the operations of the respective companies, report to the Board, that operations comply with rules and regulations as well as Group level principles. Significant issues related to the subsidiaries are also dealt with by the Management Group and/or Board meetings.

The Managing Directors of the subsidiaries are responsible for the appropriate allocation of company resources, development of personnel and ensuring that activities comply with the agreed quality requirements. The Managing Directors of the subsidiaries are also responsible for ensuring that operations occur in accordance with local legislation and other regulations.

Remuneration

The Annual General Meeting decides on board member remuneration. During 2010 the Meeting decided to remunerate 2.400 euros per month to the Chairman of the Board, 1.800 euros per month to the Vice Chairman and 1.200 euros per month to other members. In addition, the Meeting decided to remunerate board committee members 100 euro per committee meeting. The board members are compensated for travel and other expenses, which arise from them managing company business. Of the board members, Hannu Ryöppönen and Sven-Olof Kulldorff have according to the decision taken by the Meeting been granted options, which first exercise period has started 1st June 2009.

The Managing Director's compensation includes in addition to a basic salary an annual bonus, which corresponds to a maximum of twelve months salary. The bonus reward is determined based on the targets set by the Board. The Managing Director is also included in the Company's share option scheme, of which the exercise period of the first series is starts 1st May 2011 and the second 1st May 2012 at the earliest. The Managing Director and the Company have a mutual six month notice period. No additional remuneration on dismissal has been agreed on.

The salary including fringe benefits and bonuses for Managing Director Hannu Krook during 2010 was 231.120,00 euros. The share of the bonus was 0 euros.

The Management Group members can be remunerated via incentive schemes in addition to their basic salary. The rewards are partly based on achieving the financial targets set by the Company and partly based on personal targets. The Board decided annually on the terms of the bonus rewards. During 2010 the Management Group member compensation including fringe benefits and bonuses were a total of 547.998,93 euros. During 2010 no bonuses were paid and a cut was applied due to the negative result. In addition to the statutory pension the Managing Director and Management Group members have an additional pension arrangement scheme.

Internal Control, Risk Management and Internal Audit

The Board is responsible for the governance and appropriate organization of operations. In practice, the responsibility of the Managing Director in cooperation with the Management Group is to organise the accounting and implementation of control mechanisms.

The Group's financial development is monitored on a monthly basis via a Group wide reporting system. The system included an income statement, balance sheet, cash flow and the most important ratios.

The business operations are managed via the Management Group, business operation Management Groups and in Gallerix also via the responsible Managing Director. The responsibility for the management of daily business operation related risks fall on the subsidiaries utilizing Group level expertise.

The aim of risk management is to identify, asses and manage risk that threaten the achievement of business operation related targets. The principles and aims of risk management as well as the most significant risks and uncertainty factors are presented below.

The company does not have its own internal audit function. The Board and Audit Committee assess the effectiveness of internal control and risk management regularly and decide on potential measures according to this assessment.

Insider Administration

The Company applies the insider regulations of Nasdaq OMX Helsinki that came into force 9th October 2009. The Company also has its own insider regulations. The Company's public insiders include based on their position the board members, Managing Director and auditors. In addition to this, other public insiders include the Management Group members.

The Company also has a company specific insider register. A separate register is held for projects, which could have an impact on the company share price should they go ahead.

The Company's insider register is maintained by the parent company finance department based on the information given by the insiders. The holdings of public insiders are available at Euroclear Finland Ltd, Urho Kekkosenkatu 5 C, 00100 Helsinki, tel. 020 770 6000 and the Group web site.

Audit

The Group Auditor is KPMG Ltd with Sixten Nyman APA, as auditor with main responsibility.

A total of 115 thousand euros for audit services and 16 thousand euros for non-audit services were paid to the auditors employed by Group companies in 2010.

Communications

The aim of Tiimari is that all market parties as provided with accurate, up-to-date and adequate information about the Company. On Tiimari's investor pages (tiimari.com) the Company publishes governance related information, stock exchange releases immediately after announcement and other key investor material.

Main Principles for Internal Control and Risk Management Systems Related to the Financial Reporting Process

By financial reporting process reference is made to activities that produce financial information utilised in company management as well as published financial information published in accordance to legislation, standards and other regulations related to the Company.

Internal Control Related to Financial Reporting

The aim of internal control is to ensure that the company reporting produces up-to-date, adequate and essential information for the use of management and that the financial reports published by the Company provide essentially accurate information about the Company's financial position.

Structure of Financial Management

Tiimari has two segments and these had several subsidiaries. The financial management of the Finnish companies is executed by the parent company finance department after the in-sourcing of the financial management completed in 2008. Gallerix has its own finance department in Sweden and it is also responsible for the financial management of Tiimari Sweden Ltd. The accounting in the other subsidiaries has been outsourced to local accounting companies. The Group has a controller that is responsible for the management and monitoring of the reporting from the subsidiaries. The companies are responsible for the organization of their financial management under the guidance of the Group administration in order for them to comply with local legislation and simultaneously produce reports according to the international accounting standards (IFRS) used by the Group. The management of financing and related risks are centralised under the responsibilities of the Group's Chief Financial Officer. The Group does not have its own internal control mechanism. The Audit Committee and Group management shall buy internal control services based on their assessment.

Management

Target setting and their monitoring are part of Tiimari's management process. Short-term financial targets are defined annually as part of the plan and the progress is monitored on a monthly basis. The group companies report monthly actuals in terms of income statement and balance sheet as well as the most significant events relating to the financial developments. The group level finance department consolidates and verifies the information received from the group companies. Monthly reports are produced to the Management Group and the Board. The report includes income statement and balance sheet by segment and group level. The full year monthly operative cash flow is reported and forecasted on group level on a monthly basis. The Board, Management Group and segment management monitor the development of the financial position and targets on a monthly basis.

Financial Management IT Systems

The Finnish companies utilise a common financial management system and account chart. The other companies utilise different systems. For management and statutory reporting, the Company utilises one, centrally maintained system with a common chart of accounts. The group level finance department advises and schedules the reporting process and monitors that the reporting conforms to the instructions. The financial reporting instructions are based on the EU accepted international IFRS accounting standards, which are applied in the Group. The group level finance department instructs the group companies and their finance departments on the contents of the financial reporting and its schedule.

Risk Management Relating to Financial Reporting Process

The aim of risk management is to identify threats related to the financial reporting process, which could lead, should they occur, to a situation where the management would not have up-to-date, adequate and essentially correct information to manage the company or that the financial reports published would not provide essentially correct information about the financial position of the company.

Tiimari manages its financial reporting related risks by purposeful organization, guidance and sufficient resourcing of the financial management. Individual work descriptions are limited to reduce risk, software accesses are limited and managed appropriately. In addition, the common chart of accounts in the group reporting, utilisation of information technology and continuous guidance support the risk management.

Development of Financial Reporting

Tiimari continuously develops its financial management. The financial reporting is developed via simplification, improving group reporting systems and the forecasting process.

Risks and Risk Management

The goal of Tiimaris risk management is to identify, assess and manage the risk threatening the achievement of set targets by the business. The aim of the risk management is to support the achievement of financial targets as well as secure the continuity of the business operations. The Audit Committee monitors and oversees the effectiveness of risk management and the Managing Director and Management Group are responsible for the daily monitoring, management and identification of business risks.

Tiimari has taken out extensive insurance against vital property, closure, transport and liability damage. The management of insurance contracts has mainly been concentrated at group level management apart from local personal insurance.

The group level financial management governs financing risks according to principles approved by the Board. A description of financing risks is presented in the annual report as part of the financial statements.

Business Related Uncertainties and Risks

Tiimari sells products through its own retail shop chains and franchising shops. The decline in the general economic environment and the reduction in the demand on Tiimari's markets: In Finland, Sweden and the Baltics might have a negative effect on the Company's revenue stream and profitability. The main markets are in Finland and Sweden. The Company does not have any individual large customers. The franchising shops are bound to the principal, but the decline in demand and the related reduction in profitability might cause a credit loss in the Gallerix segment.

The Company focuses on developing its core business operations and reducing non-profitable operations. A major part of this development is the development of the product offering – removing old products and introducing new product categories in the shops to balance out the seasonality. The improvement in profitability is subject to a quick eradication of non-profitable operations and a successful development of the product offering.

The seasonal business cash flow and result gathers during the last quarter. The Company has a credit limit for working capital financing during the beginning of the financial year and it includes a so called clean down requirement at the end of the financial year. The breach of loan covenants might affect the sufficiency of funding and have a deteriorating effect on the Company's financial position.

The development of exchange rates affects the purchases price of products bought outside of the euro currency region and the gross margins attached to these products. About 40 % of Tiimari's purchases come from the Far East and these purchases are performed in US dollar currency. Because the pricing is set during the ordering process and the delivery periods are several months, an exchange rate change might have a negative effect on the gross margin.

Rental contracts for new shop locations are initially agreed already during the building of the shopping centres and the rental agreements are usually long – term contracts. The of a new shopping centre affects the customer flows of the entire shopping centre as well as Tiimari's. Changes in the cities and urban centres affect the traffic and the customer flows of old shops. For Tiimari, reductions in customer flows might have a negative effect on revenue and profitability in the long run.

A major part of Tiimari's revenue comes from seasonal products, for example products related to Christmas and Easter are seasonal products sold once a year. Problems concerning the availability and proper working of the delivery chain may result in the product arriving too late in relation to the season sale. The operations of the chain may be affected by conflicts in the transport industry, supplier production issues or maritime transportation. Products arriving late could also stay in the inventory until the next season. The threats could, if occurring, have a negative effect on both revenue and thereby on profitability and financial position.

The Company has made significant corporate acquisitions between 2006 -2008, which has resulted in significant values of goodwill and intangible assets being booked on the company balance sheet. Development of intra-group synergies and efficiency as well as improving profitability of the acquired concepts do affect the valuation of balance sheet items. A decline in profitability might result in impairment needs for these items thereby negatively affecting the company's profitability and financial position.

40 % of Tiimari's purchases come from the Far East. In parts of these deals payment terms are followed where one part (20-30%) on the total purchase price is paid in advance. Based on the financial position of

the supplier and the development of the aforementioned these prepayments might include a credit risk should the supplier not be able to fulfill the order of which the prepayment has been made.

The biggest expense items apart from purchases are personnel benefit related, rents and freights. The general increases in salaries, rent adjustments and changes in transport expenses may have a significant effect on Tiimari's profitability.

The interest paid on Tiimari's loans are based on 1-6 month euribor rate and loan specific margins. Changes in the level of reference rates will reflect in the company's interest expenses in accordance with loan specific interest periods. A rise in the reference rate will have a negative effect on the company's profitability.