ANNUAL REPORT 1994

STOCKMANN

ANNUAL REPORT FOR 1994, THE 133RD YEAR OF OPERATIONS

Contents

INFORMATION FOR SHAREHOLDERS

Annual General Meeting

The 1995 Annual General Meeting of the shareholders of OY Stockmann AB will be held on Wednesday, April 19, at 4.00 p.m. in the Finlandia Hall Concert Hall, at the address Karamzininkatu 4, Helsinki.

Registrations for the meeting must be received no later than on Tuesday, April 18, 12.00 a.m., telephone (int.+358-0-)121 3744, or (+358-0-) 121 3327 or (+358-0-)1213133.

Those shareholders are entitled to participate in the Annual General Meeting, whose shares have been registered with the Central Share Register of Finland Cooperative no later than on April 7, 1995.

Also a shareholder whose shares have not been transferred to the book-entry system has the right to participate in the Annual General Meeting provided that the shareholder has been registered in the company's Share Register before 28 September 1994. In this case the shareholder must present, at the Annual General Meeting, his share(s) or other documentation indicating that title to the shares has not been transferred to the book-entry system.

Payment of dividend

The Board of Directors proposes to the Annual General Meeting that a dividend of 6.00 markkaa per share be paid for the 1994 financial year. The dividend decided by the Annual General Meeting will be paid to a shareholder who on the date of record confirmed by the Board, 25 April 1995, has been entered in the Share Register kept by the Central Share Register of Finland Cooperative. The Board proposes to the Annual General Meeting that the dividend be paid on 28 April 1995 upon ter-mi-nation of the reconciliation period.

Changes in name and address

Changes in name and address must be reported to the book-entry Share Register in which the book-entry account has been entered.

Financial information

Stockmann publishes an Annual Report in April and a mid-year Interim Report in August. Both reports are mailed to all registered shareholders.

The Annual Report and Interim Report are published in Finnish, Swedish and English. They can be ordered from OY Stockmann AB, Corporate Communications, by telephone (int.+358-0-)1211, telefax (int.+358-0-)121 3153 or by writing to the address OY Stockmann AB, Corporate Communications, P.O.Box 220, FIN-00101 Helsinki, Finland.

Stockmann

Stockmann is a Finnish listed company that was established in 1862 and has about 12 000 shareholders. Stockmann is engaged in the retail trade and in all its areas of business strives to offer customers better value than its competitors. The six commercial units are the Department Store Division, the Automotive Sales Division, Sesto, Hobby Hall, Seppälä and Academic Bookstore. Stockmann has operations in Finland, Russia and Estonia.

STOCKMANN'S BASIC VALUES

Profit orientation
We are in business to make money; all operations should be directed to this goal. Successful profit-making means a good return for investors, flexibility and risk-taking capacity for the company, and security and development opportunities for the personnel committed to these common goals.

Customer orientation
Money can be made only by offering benefits that customers feel are real and better than those of our competitors. This results in a high level of customer satisfaction and loyalty. Competitive pricing, reliable quality and good customer service are vital steps towards these goals.

Growth and efficiency
Achieving an edge over our competitors will result in sales growth, high cost-effectiveness and efficient use of capital.

Commitment
Success calls for an understanding of the importance of Stockmann's company-wide and unit-specific success factors and commitment to common goals in everything we do.

Appreciation of human resources
We appreciate people´s capacity for commitment, for taking calculated risks and for profit-making. Success is rewarded.

Stockmann 1994

Department Store Division

		1994	1993
Sales	FIM mill.	**2 479.4**	2 219.3
Operating profit before depreciation	FIM mill.	**110.0**	89.5
Operating profit	FIM mill.	**67.4**	49.6

Hobby Hall

		1994	1993
Sales	FIM mill.	**640.1**	520.2
Operating profit before depreciation	FIM mill.	**48.1**	17.1
Operating profit	FIM mill.	**44.7**	13.6

Automotive Sales Division

		1994	1993
Sales	FIM mill.	**755.2**	332.6
Operating profit before depreciation	FIM mill.	**17.9**	3.8
Operating profit	FIM mill.	**15.9**	1.8

Seppälä

		1994	1993
Sales	FIM mill.	**550.5**	450.8
Operating profit before depreciation	FIM mill.	**73.0**	39.3
Operating profit	FIM mill.	**67.6**	30.3

Sesto

		1994	1993
Sales	FIM mill.	**662.1**	547.3
Operating profit before depreciation	FIM mill.	**11.5**	16.3
Operating profit	FIM mill.	**5.2**	10.0

Academic Bookstore

		1994	1993
Sales	FIM mill.	**394.1**	393.6
Operating profit before depreciation	FIM mill.	**13.6**	8.0
Operating profit	FIM mill.	**9.7**	4.0

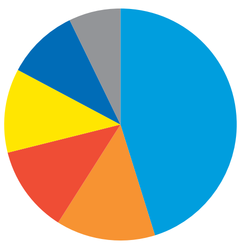
Key figures

		1990	1991	1992	1993	1994	Change 93/94 FIM mill.
Sales	FIM mill.	3 990.3	3 799.3	3 939.5	4 463.8	**5 486.1**	1 022.3
Turnover	FIM mill.	3 289.8	3 108.1	3 233.1	3 659.2	**4 507.0**	847.8
Personnel expenses	FIM mill.	582.0	560.5	568.2	620.2	**656.6**	36.4
Personnel expenses, of turnover	%	17.7	18.0	17.6	16.9	**14.6**	
Operating profit before depreciation	FIM mill.	139.3	146.1	177.1	192.1	**302.1**	110.0
Operational result[1]	FIM mill.	70.4	89.3	147.2	160.2	**246.9**	86.7
Investment	FIM mill.	96.2	124.2	144.7	185.2	**132.9**	-52.4
Total assets	FIM mill.	2 576.5	2 533.3	2 624.1	2 657.6	**2 899.7**	242.1
Share capital	FIM mill.	188.4	188.4	188.4	192.2	**288.3**	96.1
Market capitalization Dec. 31	FIM mill.	1 351.2	1 402.8	1 504.9	2 397.5	**3 390.3**	992.8
Dividend paid	FIM mill.	37.7	47.1	47.1	57.7	**86.5***	28.8
Dividend per share, adjusted for share issues	FIM	2.67	3.33	3.33	4.00	**6.00***	2.00 FIM
Earnings per share, adjusted for share issues	FIM	2.42	4.70	8.53	8.01	**12.79**	4.78 FIM
Equity ratio	%	64.2	64.7	65.5	67.1	**65.7**	
Return on investment	%	5.5	6.5	9.5	9.2	**12.7**	

[1] Profit before extraordinary items, appropriations and taxes

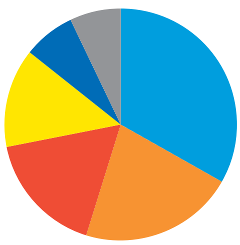
* Board proposal to AGM

Sales



Department Store Division 45.2 %
Automotive Sales Division 13.8 %
Sesto 12.1 %
Hobby Hall 11.7 %
Seppälä 10.0 %
Academic Bookstore 7.2 %

Sales by sector

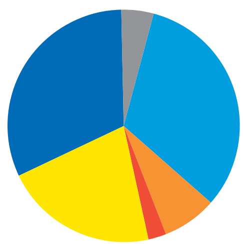


Fashion 33.2 %
Food 21.6 %
Home 17.1 %
Motor Vehicles 13.8 %
Books, Publications, Stationary 7.2 %
Leisure 7.1 %

Sources of income
(profit before depreciation)

Commercial units 69.3 %
Real estate 22.2 %
Net financial profit 8.5 %

Distribution of commercial profit
(operating profit)



Department Store Division 32.0 %
Automotive Sales Division 7.6 %
Sesto 2.5 %
Hobby Hall 21.2 %
Seppälä 32.1 %
Academic Bookstore 4.6 %

To Chairman Carl Olof Tallgren

Carl Olof Tallgren, Ph.D, h.c., will relinquish his duties as chairman of Stockmann's Board of Directors in April 1995.

Carl Olof Tallgren's chairmanship lasting more than 18 years is the second longest in Stockmann's history. He stepped down because an age limitation clause in the Articles of Association prevented his re-election.

When Carl Olof Tallgren was elected to Stockmann's Board of Directors in September 1976, Finland was in the midst of difficult times. To be sure, the economic recession was not as deep as what we have gone through over the past years, but Stockmann's ability to withstand its impacts was much weaker at that time than now.

The company had cut costs, but the restructuring actions turned out to be insufficient to deal with the recession that set in at the end of the 1970s. One of the first decisions taken by the Board led by Carl Olof Tallgren was to lay off the entire company's personnel, though only for a few days. Thereafter the company has not had to resort to layoffs.

When the cost structure had been brought under control, Stockmann began to pursue a growth strategy in the favourable conditions of the 1980s. This was done by setting for all the divisions the goal of achieving better performance than competitors all across the board: be it customer service, the competitive pricing of products or quality. This effort brought results: the company grew and prospered, and its equity ratio improved dramatically.

Since 1977 Stockmann's sales have increased by more than eightfold to FIM 5.5 billion. The company's number of personnel has nearly doubled to 5 200 people, and the net profit has grown twentyfold to FIM 247 million. Carl Olof Tallgren's last full term as chairman - 1994 - has been the all-time best year in Stockmann's history in terms of both sales and the growth in profits.

Tallgren, who skilfully wields his chairman's gavel, has been a central figure in engineering Stockmann's success. He has pointed the way, opened up opportunities and also raised probing questions when this was required. He has been bold when boldness was needed and cautious when the situation called for restraint. He has always succeeded in reconciling different viewpoints to arrive at good decisions.

Under Tallgren's leadership, Stockmann has during the past 18 years concentrated on retailing and has achieved the leading position in its main segments. On the other hand, the company withdrew from production operations and the wholesale trade.

Carl Olof Tallgren has been Chairman of Stockmann's Board of Directors for over 18 years.

Major projects for the Department Store Division were the opening of new department stores in Tapiola near Helsinki, in Tampere, Turku and the Itäkeskus shopping mall in eastern Helsinki as well as the extension of the Helsinki department store first to the Argos street corner and then by putting the sixth and seventh floors into commercial use. A new breakthrough was the opening of stores in Moscow, St Petersburg and Tallinn, Estonia. Academic Bookstore has expanded its operations to nearly all the university towns. The Sesto chain in the Greater Helsinki area has undergone a thorough renewal and numerous new stores are presently being built. In 1994 the Automotive Sales Division grew to become one of Finland's largest retail vehicle dealers and at the same time became Stockmann's second largest unit.

The most significant acquisitions were the purchase of Hobby Hall in 1985 and Seppälä in 1988. Both these units today account for an important share of Stockmann's profits.

We wish to extend our warmest thanks to Carl Olof Tallgren for his long-running and meritorious work on behalf of our company.

Board of Directors

Board of Directors, corporate management and Auditors

Board of Directors	Member since	Term ending in spring
Chairman **Carl Olof Tallgren**	1977	1995 *
Deputy Chairman **Erkki Etola**	1981	1996
Maija-Liisa Etola	1986	1995 *
Ari Heiniö	1989	1997
Lasse Koivu	1991	1997
Pertti Niemistö	1989	1995 *
Kurt Stenvall	1988	1997
Christoffer Taxell	1985	1997
Henry Wiklund	1993	1996

* due to resign

Personnel representatives on the Board: April 1, 1994 - March 31, 1995

Leena Huppunen, Company Committee
Kim von Walzel, middle management

Management committee

Ari Heiniö, Managing Director
Stig-Erik Bergström, Deputy Managing Director; Finance, Financing, Information Management, Real Estate
Hannu Penttilä, Deputy Managing Director; Department Stores, International Operations
Risto Kiiski, Director, Sesto
Aarno Pohtola, Director, Automotive Sales Division

Commercial unit management

Hannu Penttilä, Department Store Division
Aarno Pohtola, Automotive Sales Division
Risto Kiiski, Sesto
Veikko Syvänen, Hobby Hall
Marjatta Björn, Seppälä
Doris Stockmann, Academic Bookstore

Auditors

Eric Haglund, Authorized Public Accountant
Gunnar Antell
Juhani Kolehmainen
Thomas Stenius

Deputy Auditors

Krister Hamberg, Authorized Public Accountant
Per-Erik Isaksson
Olli Tenkanen

The members of the Board of Directors of OY Stockmann AB and the personnel representatives on the Board. From left to right: Leena Huppunen, Ari Heiniö, Christoffer Taxell, Carl Olof Tallgren, Erkki Etola, Pertti Niemistö, Henry Wiklund, Kurt Stenvall, Lasse Koivu, Maija-Liisa Etola and Kim von Walzel.

Events in 1994

February
The Ministry of Labour grants Stockmann the Good Employer Award in recognition of the company's meritorious accomplishments on behalf of job performance, the working environment and the development of personnel. Stockmann's motor vehicle trade celebrated 90 years in business.

March
Sesto opens its first Etujätti hypermarket in Tammisto, Vantaa.

April
Stockmann's share capital is increased through a bonus issue to FIM 288 292 200. Two old Series A and/or Series B shares entitled their holders to subscribe one new Series B share free of charge.

June
Stockmann hires double the number of summer help as it did a year earlier - a total of 750 employees, thus improving customer service and providing employment for young people.

August
Sesto opens a supermarket in the Forum shopping centre in Helsinki. The number of stores grows to 14. Stockmann makes public its intention to build department stores in Tallinn, Estonia, and St Petersburg, though the St Petersburg project later falls through.

September
Stockmann's shares are transferred to the electronic book-entry registration system. The company's operations in Russia mark their fifth year. Stockmann's Personnel Board, a joint body for cooperation between the personnel and management, reaches the seventy-year mark. The refurbished fashion floor in the Turku department store is opened. Hobby Hall launches mail order operations in Estonia.

November
The Russian personnel of the stores in Moscow are transferred to the service of A/O Kalinka-Stockmann, a subsidiary established by Stockmann. The number of Stockmann's personnel grows by over 350.

Managing Director's review

1994 was again a good year for Stockmann. Sales, the number of customers and market share grew. And we generated good earnings. The operational result improved by FIM 86.7 million to FIM 246,9 million.

I believe that our shareholders too can be satisfied: the company's market capitalization grew and dividends were up - according to the Board's proposal, they will also be increased again this year.

I warmly thank our customers, partners in cooperation and shareholders for their positive contribution to the company's good result. A particular vote of thanks goes to our personnel, whose will to do things better and better is one of the secrets of Stockmann's success.

Stockmann's sales grew in 1994 by about FIM 1 000 million, to FIM 5 486.1 million, or 23 per cent. Half of the growth was again achieved through improved commercial performance, the other half coming from the opening of new stores and an increase in retail space. I am of course satisfied that the setting up of new stores has gone well. Yet the time I was the head of the department store taught me to value even more the growth we achieved in same-store sales - the other aspect of growth that comes from commercial efforts. That comes when people try to do everything they believe customers value and do it as well as possible. Gaining customers' trust is the measure of success. Without that, even opening new stores would not yield a profit.

Business was good in Finland

In Finland, commercial operations far exceeded expectations in terms of both sales and, above all, the financial result. Towards the end of the year and farther afield, we nevertheless received a strong reminder, that business always involves risks. Although sales in Russia have grown well, we faced numerous setbacks in our international operations, and profitability suffered. After a very well succeeded first part of the year, the result of treasury operations was also a small disappointment. The results of these two functions have been very good in recent years, but now their combined result was nearly FIM 70 million weaker than it was a year earlier. Fortunately, this was mainly due to one-off causes, which are discussed elsewhere in this Annual Report.

There is thus all the more cause for satisfaction that business went well in Finland and that all our units far outdistanced competitors both in sales and profitability. That the company's result improved by the above-mentioned FIM 86.7 million, reaching FIM 246.9 million, was this time completely due to the vigour of business operations in Finland. Our important and large units - all our department stores, the Automotive Sales Division, Hobby Hall and Seppälä - all posted their best result ever. All told, we performed so well in Finland that each of the domestic functions deserves a brief comment and an expression of my gratitude.

The Department Store Division performed excellently in Finland. Bearing in mind the importance of the department stores for Stockmann's aggregate sales and result, the division's success was gratifying indeed. Despite the collapse of profits in its international operations, the result of the division as a whole improved markedly on the previous year. All the department stores boosted their market shares and turned in stellar improvements in earnings. The nearly FIM 40 million improvement in operating profit before depreciation which the Helsinki department store achieved in same-store sales deserves a special mention. The development of the department stores offers a good example of how Stockmann has realized a long-term commitment both to increasing its retail space and to boosting its sales. Accordingly, the retail space in use by the department stores themselves has grown by more than a half over the past ten years, to 55 600 square metres from 34 600 square metres. Thanks to successful sales efforts, the sales volume has almost doubled during the same period. This development strengthens our confidence in the ability of department stores, if well managed, to perform well in both boom and bust times.

During the year the Automotive Sales Division grew to become Stockmann's second largest unit and the leading retail car dealer in the Greater Helsinki area. Our decision to invest in expanding the Automotive Sales Division in the autumn of 1993 has proved to be not only correct but also well timed because car sales bottomed out shortly thereafter. The profitability of our car sales rose to a totally new level last year. The prime challenges for the Automotive Sales Division have been the systematic improvement of customer service and the development of marketing. Plenty remains to be done.

Sesto is going through a period involving an energetic expansion of operations and is seeking to regain its position as Stockmann's second largest unit. The new Etujätti hypermarket that was opened in Vantaa in March was an immediate success. However, the initial costs and depreciation depressed operating profit compared with the previous year. Sesto has two Etujätti hypermarkets under construction and one in the planning stage, and their start-up costs will be reflected in the financial result in future years. This is a normal price of growth. Earnings will improve in the years ahead.

Both the sales and earnings trend of Hobby Hall were brilliant. Sales grew by 23 per cent and the result improved by FIM 31 million on the previous year. The net profit nearly trebled, and on a same-store basis this rates as truly "hats off" performance.

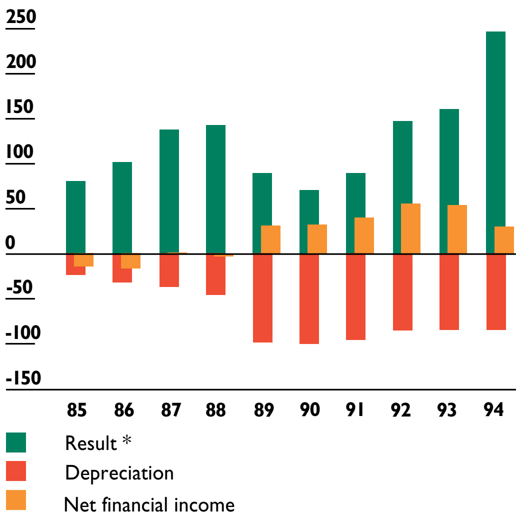
And once again I wish to express my joy and pride in Seppälä's success. Seppälä again posted an incredibly good result and improved its position as Stockmann's most profitable unit as measured by the return on investment. Operating profit more than doubled and the return on investment rose to 84 per cent.

Of all Stockmann's units, the recession has had perhaps the strongest impact on the operating environment of Academic Bookstore. A significant factor has been the reduction in book purchases by the government and the municipalities. Academic Bookstore was nevertheless again able to increase its market share and clearly improved its financial result. This was a good accomplishment in difficult conditions.

Sources of earnings

In demonstrating Stockmann's "recession-resistance", I have repeatedly emphasized that commercial operations generate cash for us both in the form of operating profit before depreciation and as rental income from the commercial properties we own. In addition, we have received net interest income on the money we have invested. Of all the cash inflows

OPERATIONAL RESULT
FIM million 1985-1994



* profit before extraordinary items, appropriations and taxes

last year, operating profit before depreciation from our commercial operations amounted to 69.3 per cent, rental income to 22.2 per cent and net income on financing to 8.5 per cent.

Growth will level off in 1995

All signs indicate that in 1995 the retail trade will see clearly better sales than in the past years. Belief in the economic upswing is in the air. A little further out, it nevertheless appears that the unsolved problems of our national economy are so great that our country is again headed for difficult times, even before we have managed to deal properly with our previous difficulties. Without knowing how long the forthcoming good times will last, we shall thus once again have to take steps to ensure that we retain our profitability also when external circumstances become difficult again. We intend to do this as we have before: by strengthening our competitive positions while times are good, maintaining a high equity ratio and keeping risks under control.

Given the recent recessionary conditions, we can look back on years of strong growth. I believe our sales will continue to grow also in the current year, though more slowly than before. I conclude my review much as I did last year by stating my firm conviction that this year too we shall generate reasonably good earnings.

Helsinki, February 1995

Ari Heiniö

Department Store Division

		1994	1993
Sales	FIM mill.	**2 479.4**	2 219.3
Proportion of Group sales	%	**45.2**	49.7
Operating profit before depreciation	FIM mill.	**110.0**	89.5
Operating profit	FIM mill.	**67.4**	49.6
Return on investment	%	**11.1**	8.7
Investment	FIM mill.	**59.8**	54.6
Personnel Dec.31		**3 602**	3 018

Stockmann's department stores in central and eastern Helsinki, Tapiola, Tampere and Turku offer customers a knowledgeable shopping environment and good service in a congenial atmosphere. The key to Stockmann's success is a unique and broad assortment of good products at competitive prices. Our growing operations abroad now comprise four stores in Moscow, one in St Petersburg and one in Tallinn, Estonia.

Sales and net profit of the Department Store Division grew buoyantly during 1994. Gross sales inclusive of VAT were FIM 2 479 million. Turnover was FIM 2 054 million, up 11 per cent. Two thirds of the more than FIM 200 million of growth in net sales came from increases in the same-store sales of the department stores in Finland and a third from international operations.

The department stores gained market share in all their localities. Significantly, the Helsinki and Tapiola department stores were able to improve their market position at the same time as the department store in the Itäkeskus shopping mall boosted its sales, in its second full year of operations, at a markedly faster rate than its local competitors. The growth in sales of the department stores in Turku and Tampere was also excellent.

The department stores' gross margin improved substantially. This was due to the considerably enhanced stock turn rate as well as the appreciation in the external value of the Finnish markka. Given that the ratio of operating costs to turnover declined, the department stores in Finland posted very good earnings. All the department stores reached their all-time best operating profit before depreciation.

Each year, Stockmann organizes a country campaign in its department stores. The East Meets West campaign in September 1994 was an all-time hit.

The turnover of our units abroad grew by 31 per cent. The strong growth was due to the first full year of operations of the Dolgoruk clothing store that was opened in Moscow towards the end of the previous year as well as the stores in St Petersburg and Tallinn. Despite the growth in turnover, the gross margin ratio on International operations declined. One reason for this was that the dollar-based value of prices weakened against the Finnish markka, and intense competition meant that prices could not be raised enough to offset this. The changes in customs clearance procedures affected the competitiveness of certain main merchandise areas and led to considerable erosion of our margins. We faced a number of other one-time setbacks too, and this caused the previously excellent level of earnings to go into the red. The objective during the current year is to restore the previously good level of earnings in International operations.

The largest capital expenditures were a complete refurbishing of the fashion floor in the Turku department store as well as the further commercial exploitation of the seventh floor in the Helsinki department store. The new MASI information system that will handle purchasing and materials management was introduced throughout the organization.

The re-engineering of operations, which was launched last year, moved ahead. Materials management was completely reorganized and a system of working in specific merchandise cells was introduced. Teams were formed made up of staff from purchasing, materials management and other functions.

Spotlight on loyal customers

The significance of loyal customers was emphasized further. The number of Stockmann's regular patrons topped 350 000. The amount of product incentives offered to loyal customers increased considerably. The department stores arranged more events for loyal customers than ever before.

The Crazy Days broke all previous records in the spring and autumn – something that has become a tradition at Stockmann's.

In September an "East Meets West" country campaign was run in all the department stores and it generated the best results ever. NHL ice hockey shops were opened in all the department stores to coincide with this campaign. The ice hockey event complete with visits by name players was a big hit with the public.

The Christmas colour catalogue was far and away the best sales booster we have ever had. A new "key product" concept was launched, which highlights the image of Stockmann department stores as a retailer of affordable, quality products.

The Helsinki department store grows - profitably

Sales by the Helsinki department store inclusive of VAT were FIM 1 180.4 million. Growth on the previous year was 6.5 per cent. In addition, in-store concessionary sales amounted to FIM 154 million, up 14 per cent.

The department store's sales growth exceeded targets and outstripped competitors in the centre of Helsinki. The target for operating profit before depreciation was exceeded and the department store

Culinary treats are an important part of the country campaigns. The department stores offer practical cooking tips and instructions.

improved on its previous year's earnings by nearly FIM 40 million. The best sales growth figures were reported by the Radio and TV (20%), Home Decorations (19%), Menswear (17%), Footwear (17%), and Gold Jewellery and Watches (14%) departments.

The new concessions Erottajan Apteekki, a pharmacy, and Normark Country, a store specializing in fishing tackle and camping equipment, opened for business in the department store. The cosmetics, photography, stationery and souvenir departments were given a new look in connection with the opening of the pharmacy. With the start-up of Normark Country's operations, the use of the seventh floor of the department store for commercial purposes continued when the Business to Business and Export Service and the Loyal Customer Service were moved there. Alko's wine shop on the ground floor of the department store was refurbished, as were the Mannerheimintie and Keskuskatu entrances. Other modernizations mainly involved the departments on the fourth and fifth floors.

Planning of the expansion of the Delicatessen was started and commercialization of the seventh floor was carried ahead. A Home Improvements department was opened on the seventh floor in January 1995. The new Delicatessen, which is expanding to the basement level, will be open in September of the current year. Design work is also under way on a project to build a tunnel between the Forum car park and the department store.

Itäkeskus boosts its market share

Sales by the Itäkeskus department store inclusive of VAT were FIM 205.6 million. The sales increase on the previous year was a hefty 22.5 per cent. The number of customers grew by 19 per cent. This meant a clear increase in market share in all product areas.

The NHL event complete with player visits was a big favourite during the country campaign.

The best sales trends were reported in Audio Discs (61%), Footwear and Bags (40%), Glass, Porcelain and Stationery (30%), Delicatessen (29%), the Cafeteria (32%) as well as Menswear (28%).

The good sales trend of the department store led to a positive operating profit before depreciation, clearly improving on the previous year's figure and exceeding the budgeted target.

Women's Etcetera fashions for the autumn of 1994. Etcetera is Stockmann's own brand name. Aggregate sales of our own branded products in 1994 were about FIM 200 million.

Small changes in departments were made during the year. Noteworthy among them was the successful transfer, in January, of the Audio Disc department to another part of the store. In addition, changes were made to the fixtures and furnishings in the Delicatessen, Children's Wear, Sports and One Way departments.

The competitive situation in eastern Helsinki remained unchanged. Sales of the Itäkeskus shopping mall grew by 10 per cent and the number of visitors rose to more than 19 million, a volume that is in line with the original plans. The strong trend throughout the year will put the Itäkeskus department store in a good position to increase its market share in the eastern Helsinki department store trade.

Cap Horn offers outdoor and leisure clothing for the whole family and is one of Stockmann's most important proprietary clothing brands.

Tapiola quadruples its earnings

The department store in Tapiola, to the west of Helsinki, had sales inclusive of VAT of FIM 253.6 million, representing growth of 9.9 per cent. Despite the strong increase in competition in the Tapiola area, the department store was able to raise both its number of customers and the average purchase.

The best sales increases were posted by Audio Discs (25%), Delicatessen (19%), Kennel and Garden

(17%), Footwear and Bags (12%) as well as Menswear (11%).

The department store's functionality was improved significantly when the location of the departments, the floor plan solutions and the merchandise displays were renewed. Refurbishing was carried out in the entrance to the Delicatessen department as well as at the photograph and confectionery stands. The relocation of the One Way department freed up space for the Sports, Toy and Gardening departments. When these changes were carried out, the Footwear department moved to the fashion floor.

Thanks to its good sales trend, improved gross margin and excellent cost management, the department store exceeded its targets for both sales and operating profit before depreciation by a big margin.

A record result for Tampere

Sales of the Tampere department store inclusive of VAT were FIM 251.9 million , an increase of 8.8 per cent on the previous year.

The good growth in sales meant that the sales volume of the Stockmann department store rose to the same level as the CitySokos department store in Tampere, which has considerably more floor space. The achievement was excellent taking into account such factors as the effect on the competitive situation of the renewals and extensions carried out by both Citymarkets in the Tampere area.

The best sales trends were reported by the Bags (23%), Footwear (22%), Bed Linen (21%), Men's Outdoor Wear, Toys, Glass and Porcelain (all 18%), Giftware (17%) and Audio Disc (16%) departments.

Since the gross margin improved and the ratio of operating costs to sales declined, the department store reported an excellent operating profit before depreciation, exceeding by a good margin both the budgeted target and the previous year's net profit.

The fashion floor in Turku gets a new look

Sales by the Turku department store inclusive of VAT were FIM 233.0 million, representing growth of 7.4 per cent. The sales result can be considered excellent because owing to the refurbishing of the ground floor, nearly 20 per cent of the retail space was not available for sales operations during the four-month period from May to August.

Stacca & Co, which is sold at the One Way departments, is popular with young people. Stacca products are designed in Finland but they are also sold by a number of European department stores on a cooperation basis.

Our own brands for children are Bakito clothes and Kamu stuffed toys. Proprietary brands account for about half of our sales of children's clothing. The prices are affordable because the clothes are designed and manufactured in cooperation with the leading European department stores.

Casa Stockmann brings warmth and atmosphere to the home at an affordable price.

The street level was refurbished with new surface materials and sales fixtures. The entrances and lighting were renewed and the stairs next to the escalator in the middle of the building were removed. The Information and Loyal Customer Service booths were also given a new look.

The refurbished fashion floor got off to a good sales pace in the autumn and in the period from September to December reached a growth rate of 15 per cent. The trend in the autumn season was particularly strong for Men's Suits (44%), Women's Indoor Wear (28%) and Cosmetics (17%). The department store thus strengthened its position as the largest clothing store in Turku and the third largest in Finland.

Of the other departments, the best sales trends were registered by the Audio Disc (28%), Footwear (19%) and Giftware (17%) departments. Also gratifying was the 11 per cent sales growth of the Delicatessen department in an extremely tough competitive situation.

The operating profit before depreciation of the department store was well over the target and the best ever in money terms.

Growth and setbacks in International operations

A ceremony marking five years from the opening of its first store was held by the International operations unit in Moscow in September.

The legal form of business operations in Moscow was revised during the latter part of the year by establishing a company named A/O Kalinka-Stockmann, in which Stockmann owns a 65 per cent holding and the City of Moscow together with Keskus-Sato Oy jointly have a 35 per cent stake. The department store in St Petersburg is managed by the subsidiary of this company, A/O Kalinka-Stockmann STP.

Sales by the International operations unit inclusive of VAT were FIM 354.8 million, representing growth of 35 per cent on the previous year. Sales and the gross margin fell far short of the budgeted target, among other things, due to the fact that the weakening of the dollar's exchange rate could not be factored into pricing to a sufficient extent. When prices rose, the net result went into the red, as has been discussed elsewhere.

The product assortment of the Leninsky store in Moscow was revamped to reflect a distinct boutique image. At the same time, the Dolgoruk store concentrated still further on selling affordable basic clothing.

In Russia the customs treatment of imported alcoholic beverages sold in foodstores was revised, multiplying the costs of importing alcohol. Russia's unstable internal policy situation also had many other impacts on the business environment. The department store project that was being negotiated in St Petersburg fell through because Stockmann did not reach an agreement that was satisfactory to the company.

The development in Estonia was positive. The Estonian government and the City of Tallinn approved Stockmann's proposal for rezoning the old paper mill lot in Tallinn for the purpose of building a new department store. Plans call for starting the construc-

The Men's Department in the remodelled fashion floor in the Turku department store. After the refurbishment, the department store strengthened its position as Turku's largest clothing store and Finland's third largest.

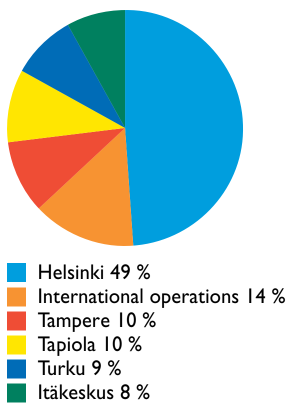
tion works, which in the first stage cover the building of a 5 500 sq.m. department store, during the spring of 1995. The department store is scheduled to open its doors in the spring season of 1996.

Year of opportunity

The Department Store Division embarks upon a new year of operations with confidence. In Finland the competitive position of our present department stores will be bolstered through such measures as an extension of the Delicatessen department in the Helsinki department store and refurbishing of the fashion floor in the Tampere department store.

Within International operations, volume growth will be sought through controlled-risk expansion plans in Russia as well as by starting construction work on the department store in Tallinn, Estonia. The objective is to improve markedly the result of International operations in 1995.

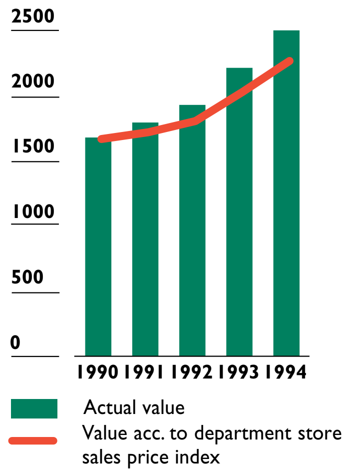
SALES BY DEPARTMENT STORE DIVISION 1994



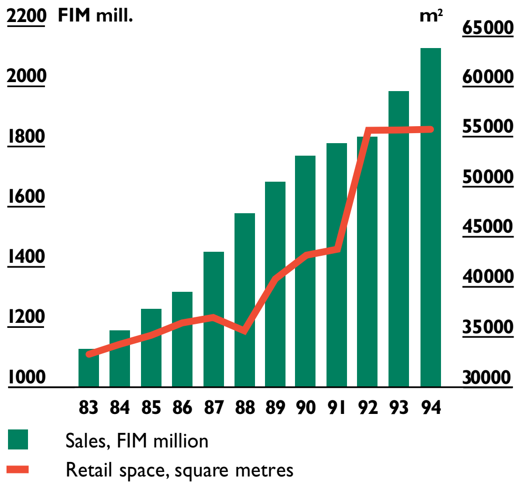
SALES BY MERCHANDISE SECTOR 1994

	% of total sales	Change %
Men's wear and accessories	9.9	11.4
Ladie's wear and accessories	18.0	7.8
Children's wear and junior wear	6.6	3.7
Footwear	2.8	18.4
Cosmetics	4.4	11.7
Fashions total	**41.7**	**9.0**
Home furnishings, fabrics, needlework, household	11.7	7.2
Leisure and sports	9.5	9.7
Food	20.3	10.5
Cafeterias, miscellaneous services	2.7	2.5
Others total	**44.2**	**8.9**
International operations	14.1	34.6
Total	**100.0**	**12.0**

SALES BY DEPARTMENT STORE DIVISION
1990-1994, FIM million



SALES VOLUME BY DEPARTMENT STORES AND RETAIL SPACE 1983-1994



SALES BY DEPARTMENT STORE DIVISION

	FIM mill. 1994	FIM mill. 1993	Change %
Helsinki	**1 180.4**	1 108.6	6.5
Tapiola	**253.6**	230.8	9.9
Itäkeskus	**205.6**	167.8	22.5
Turku	**233.0**	217.0	7.4
Tampere	**251.9**	231.5	8.8
International operations	**354.8**	263.6	34.6
Total	**2 479.4**	**2 219.3**	**11.7**

The Leninsky store offers an international assortment of boutique branded clothing.

Automotive Sales Division

		1994	1993
Sales	FIM mill.	**755.2**	332.6
Proportion of Group sales	%	**13.8**	7.4
Operating profit before depreciation	FIM mill.	**17.9**	3.8
Operating profit	FIM mill.	**15.9**	1.8
Return on investment	%	**13.5**	2.5
Investment	FIM mill.	**5.1**	6.2
Personnel Dec.31		**335**	314

The Ford Mondeo was Car of the Year in 1994.

Stockmann's Automotive Sales Division serves its customers at five sales outlets in the Greater Helsinki area. Their success is based on high-quality products, a comprehensive range of makes and models, competitive prices thanks to large volumes, and good and reliable customer service. The vehicles sold are Ford, Nissan, Chrysler, Jeep, Volkswagen, Audi and Seat cars and vans and a wide range of trade-in vehicles.

A rebound occurred in the motor vehicle trade in 1994 and sales of new cars in Finland swung to growth. A total of 67 201 new cars were sold, or 20 per cent more than a year earlier. The total volume of the motor vehicle trade is nevertheless still very low. Except for 1993, one has to go back to 1968 to find a sales figure this low.

Sales of vans continued to fall and were down by 18.8 per cent. The total sale of new vans was only 3 364 units.

The small total volume and tougher competition ensured that the shake-up in the motor vehicle trade continued. In the retail trade, a large number of bankruptcies and restructurings took place. Strong makes registered further gains in market share. Sales of Japanese vehicles suffered a setback and their aggregate market share fell to 28 per cent from 39 per cent. European vehicles, especially German makes, were the winners in the battle for market share.

Sales and net profit reach a new level

Sales by the Automotive Sales Division, including tax, were FIM 755 million and turnover amounted to FIM 621 million. Turnover grew by FIM 349 million on the previous year, or 128 per cent. The bulk of the growth in sales was attributable to the fact that VV-Auto Stockmann, which was acquired in October 1993, was part of the Automotive Sales Division for the entire year. The Ford product line also increased its sales, by FIM 33 million.

Operating profit grew to FIM 15.9 million from FIM 1.8 million thanks to the dramatic growth in volume and improved cost effectiveness. Greater efficiency has been achieved in the use of real-estate space, and the relative share of personnel expenses and administrative costs has diminished. The most significant capital expenditure was the replacement of the mainframe computer with a more powerful unit.

Market leader in the Greater Helsinki area

The Automotive Sales Division is divided into three product lines according to our principals. In 1994 all our principals had a good year. Of the makes of vehicle for which Stockmann has dealerships, three - Volkswagen, Nissan and Ford - were among the five highest selling makes. Volkswagen increased its nationwide market share the most, achieving a 13 per cent slice of the market. Next best was Ford, which posted the second best increase in unit sales, reaching a 9 per cent nationwide market share. Nissan, in turn, was the only Japanese make that was able to boost its sales. Its market share was 11 per cent.

Stockmann sold nearly 8 000 vehicles during the year, of which new cars and vans totalled 4 019. The VW line sold 2 521 new vehicles, the Ford line 1 149 and the Nissan line 349. The Automotive Sales Division achieved market leadership in the Greater Helsinki area in the new vehicle trade, with a market share well in excess of 20 per cent. More than one out of five new vehicles sold in the Greater Helsinki area came from a Stockmann outlet.

Sales of Nissan and Chrysler vehicles were moved in December 1993 from Pitäjänmäki to new facilities in Herttoniemi. The move was partly responsible for the poor sales trend in the first part of the year. Sales of Nissan vehicles did not reach their target. Volkswagen and Ford sales, however, exceeded their targets. Ford garnered a 10 per cent share of the Helsinki market.

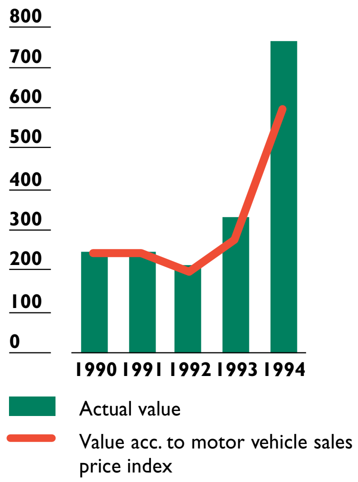
Unit sales of trade-in vehicles fell short of their target. The reason for this was the shortage of trade-in vehicles throughout the year. The price level of trade-ins rose by about 15 per cent during the year. The stock turn of trade-in vehicles remained good.

Servicing in full use

The capacity of the servicing and repair shops was in full use at all our outlets throughout the year. From time to time, the waiting lists at the repair shops grew too long from the standpoint of good customer service. Throughput was stepped up by going over to longer opening times.

A special problem was the long delivery times for VW spare parts. This was due to the fact that the importer moved the spare parts warehouse to Sweden at the beginning of 1994. The problem was alleviated by increasing the level of our own stocks.

SALES BY AUTOMOTIVE SALES DIVISION
1990-1994, FIM million



SALES BY AUTOMOTIVE SALES DIVISION 1994

	FIM mill.	Change %
New vehicles	421.8	155.4
Trade-in vehicles	191.4	107.7
Service	45.4	118.0
Spare parts	96.3	91.2
Others	0.3	27.1
Total	**755.2**	**129.7**

Slow growth ahead

The cautious revival of the Finnish motor vehicle trade is anticipated to continue in 1995, but strong growth in demand does not appear likely. Demand for work carried out in authorized repair shops is expected to taper off owing to the sharp fall in the number of vehicles less than five years old.

The Automotive Sales Division is in a good position to outstrip its competitors in 1995, as we did last year. The products of all our principals are well poised to further boost their market shares. Ford, Nissan and Volkswagen will probably be among the five most-sold makes of vehicle. The forecast fall in demand for servicing and repair work does not seem to cause lack of work at Stockmann's repair shops.

Stockmann's Automotive Sales Division will actively pursue a rapid improvement in customer service in all its functions during 1995. An indication of this is the ISO-9002 Quality Certificate which was granted to the Ford functions in February 1995. Success depends to an essential degree on adopting an attitude that stresses the importance of providing the best customer service.

Ford Escort

Nissan Maxima

Volkswagen Polo

Audi A4

Sesto

		1994	1993
Sales	FIM mill.	**662.1**	547.3
Proportion of Group sales	%	**12.1**	12.3
Operating profit before depreciation	FIM mill.	**11.5**	16.3
Operating profit	FIM mill.	**5.2**	10.0
Return on investment	%	**7.8**	22.9
Investment	FIM mill.	**16.6**	5.8
Personnel Dec.31		**570**	474

The traditional Sesto stores and the modern Sesto Etujätti hypermarkets in the Greater Helsinki area, and soon in Turku and Tampere, offer customers supermarket goods at affordable prices.

Nationwide sales of supermarket goods grew by about 2.6 per cent during 1994. Sales by the Sesto chain totalled FIM 662 million in 1994. The comparable growth on the previous year's FIM 547 million sales figure was 1.1 per cent. Factoring in new stores, sales grew by 21.0 per cent.

The best sales growth was reported by the Helsinki Herttoniemi store, which reported an increase of 8 per cent. Another good performer was the store in Tikkurila, Vantaa, whose sales grew by a respectable 6 per cent. Sales by new stores opened during 1994 totalled FIM 109 million.

Sesto's turnover grew by 21 per cent on the previous year, to FIM 542 million.

Operating profit fell by FIM 4.8 million to FIM 5.2 million. The reason for the lower operating profit was mainly the drop in the gross margin, but also the costs of establishing new stores.

Meat ranks first in importance in the fresh produce category. At Sesto stores, next come cheeses, then fruits and vegetables.

Capital expenditures increase

Sesto's capital expenditures grew to FIM 16.6 million from FIM 5.8 million a year earlier. The biggest capital item was furnishings for the Sesto Etujätti hypermarket that was opened in Tammisto, Vantaa. In addition, a Sesto store was opened at the Forum shopping centre in Helsinki.

The retail area of the Etujätti hypermarket in Tammisto is 3 300 square metres and its sales for the first nine months were slightly less than FIM 90 million. The store is a self-service hypermarket that stresses very affordable prices whilst maintaining an extensive assortment. 80 per cent of the products are foods and 20 per cent are other supermarket goods. Outside small businesses operate concessions such as a fish counter and a bakery.

The Sesto store in the centrally located Forum shopping centre has retail space of about 1 000 square metres. Sales for the first five months were about FIM 20 million. The store has service lines for meat, fish, cold cuts and cheese as well as a concession for bakery and confectionery products.

As a consequence of setting up the new units, Sesto's payroll during the year grew by about a hundred persons to 570 employees. Converted to full-time staff, the year-end payroll was 444 people. At the end of the year Sesto operated 14 stores.

New stores

During 1994 it was decided to open Sesto Etujätti hypermarkets at the Länsikeskus shopping centre in Turku and in Friisinniitty, Espoo. Construction work on both has got under way. The Etujätti to be opened in Friisinniitty, Espoo, has fallen behind its original timetable by about 9 months. The Etujätti in Turku will be opened in October 1995 and the Friisinniitty Etujätti about a month later.

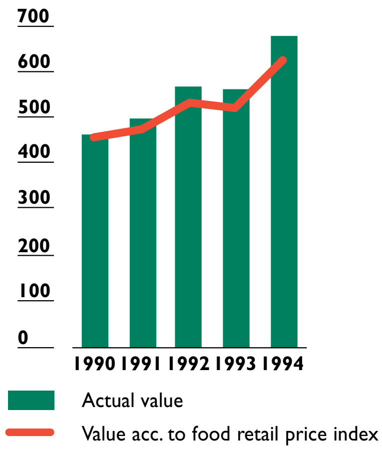
In Tampere a lot was purchased for a Sesto Etujätti to be opened there in 1996. In addition, a lease agreement was signed for a traditional Sesto to be opened in premises in Vaasankatu in Helsinki towards the end of 1995.

Objectives for 1995

Because of Sesto's rapid expansion, it was decided in the latter part of 1994 to study the rationalization of business functions as a whole and to scrutinize the organizational needs of an expanding Sesto. The results of the study will be obtained by the end of March 1995 and they will be applied to a new and expanded Sesto right from the beginning of the summer 1995 season.

Important steps for Sesto's development were the decisions to open Sesto Etujätti hypermarkets in Turku and Tampere - ie, in localities where Stockmann's department stores have become well established.

SALES BY SESTO 1990-1994, FIM million



SALES BY STORE 1994

		FIM mill.	Change %
Annankatu	Helsinki	76.5	1.2
Eino Leinon katu	Helsinki	42.5	3.0
Herttoniemi	Helsinki	49.7	7.8
Kauniainen	Kauniainen	31.3	-3.4
Lauttasaari	Helsinki	71.4	3.3
Lähderanta	Espoo	53.9	1.5
Mellunmäki	Vantaa	29.6	-21.1
Olari	Espoo	55.7	3.1
Puistola	Vantaa	31.7	2.9
Reimarla	Espoo	49.7	0.6
Tehtaankatu	Helsinki	19.3	4.3
Tikkurila	Vantaa	41.9	6.1
Total		**553.2**	**1.1**
Etujätti (opened Mach 16)	Vantaa	87.3	
Forum (opened August 15)	Helsinki	21.6	
Total		**662.1**	**21.0**

SALES BY MERCHANDISE SECTOR 1994

	Proportion of total sales %	Change %
Food	84.1	21.7
Household articles	13.0	21.0
Textiles	2.9	7.2
Total	**100.0**	**21.0**

Hobby Hall

		1994	1993
Sales	FIM mill.	**640.1**	520.2
Proportion of Group sales	%	**11.7**	11.7
Operating profit before depreciation	FIM mill.	**48.1**	17.1
Operating profit	FIM mill.	**44.7**	13.6
Return on investment	%	**23.9**	8.1
Investment	FIM mill.	**5.0**	1.2
Personnel Dec.31		**333**	281

Hobby Hall is a pioneer in mail order operations in Finland and is the clear market leader in this area. Its offerings consist primarily of household and leisure articles. Hobby Hall's colour catalogue, which is distributed in Finland and now also in Estonia, offers more than a million customers a fast and convenient way to buy quality products at affordable prices.

Hobby Hall's main objectives in 1994 were to increase sales volumes and improve the gross margin. The growth in Finns' disposable income and the strengthening of the Finnish markka combined with Hobby Hall's own actions meant that these objectives were reached far beyond expectations. Hobby Hall further strengthened its position as the country's leading mail order sales company both in terms of sales and net profit.

Sales by Hobby Hall grew by a whopping FIM 120 million to a total of FIM 640 million. Turnover grew by 26 per cent to FIM 494 million. Operating profit before depreciation improved to FIM 48.1 million, or FIM 31.0 million higher than a year earlier. Operating profit grew to FIM 44.7 million.

A basic concept that works

Good products, excellent payment terms, competitive prices thanks to large volumes and customer-oriented service combined with a style-conscious advertising message are the ingredients that have made over a million customers choose Hobby Hall. These factors will also lay a solid foundation for continuing success.

Hobby Hall's telephone service receives up to 6 000 calls a day. About half of the orders are phoned in.

All the campaigns carried out during the year surpassed last year's results. Sales triggered by the colour catalogue that came out in May topped the FIM 100 million mark for the first time. Loyal customers and offers that are carefully geared to them were the key factor in achieving this good earnings trend.

The largest product group in terms of the value of sales was home textiles. In addition, consumer electronics and household appliances sold well. Thanks to careful planning and large purchasing instalments, delivery reliability remained good despite the increased demand.

Stores pull in sales

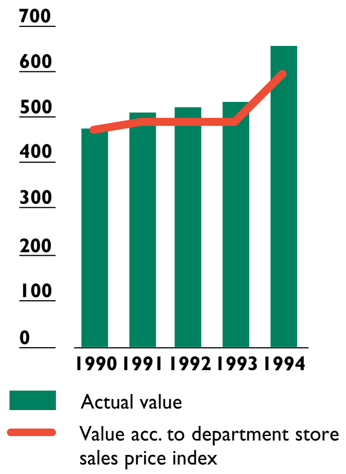
In addition to mail order business, both of Hobby Hall's stores registered a big increase in sales. Sales by the store in Vantaa grew by 30 per cent to FIM 53 million. Sales by the store in Hämeentie in Helsinki grew by 13 per cent to FIM 27 million. The main task of the stores is to support the mail order sales. In addition, they have brought in new customers through their active marketing efforts.

Sales in Estonia get up to speed

On the basis of test marketing carried out last year and the good results it yielded, Hobby Hall launched operations in Estonia. Sales multiplied several times compared with the previous year, totalling FIM 8 million. In the autumn of 1994 an Estonian language customer acquisition catalogue was distributed to selected households, with excellent results.

Hobby Hall already gained 23 000 Estonian customers at the end of the year, and the number is growing rapidly. In the spring of 1995 an order office will be opened in Tallinn with the purpose of improving customer service and speeding up the processing of orders. Marketing will also be stepped up considerably in Estonia.

SALES BY HOBBY HALL 1990-1994, FIM million



Objectives for 1995

Hobby Hall's most important objectives are still to increase volumes and market share. The product assortment will be expanded. The percentage of branded goods will also increase, particularly within the clothing assortment.

Customer service is assuming an ever more prominent role as a means of competing effectively. Hobby Hall is expanding its personnel training effort and intends to be a forerunner in all the subareas of good service.

At the order dispatch centre in Vantaa, a new logistics control and optimization system was introduced in stages in order to enable the processing of increasingly large numbers of orders in our present facilities and to ensure continued fast deliveries to customers.

Household textiles and consumer electronics are Hobby Hall's most important product groups.

Seppälä

		1994	1993
Sales	FIM mill.	**550.5**	450.8
Proportion of Group sales	%	**10.0**	10.1
Operating profit before depreciation	FIM mill.	**73.0**	39.3
Operating profit	FIM mill.	**67.6**	30.3
Return on investment	%	**83.7**	42.2
Investment	FIM mill.	**7.2**	5.9
Personnel Dec.31		**563**	534

Seppälä offers its youthfully minded customers a sensible alternative for dressing fashionably. Seppälä sells women's, men's and children's wear and cosmetics at 64 stores in Finland. Centralized, chain-store operations guarantee very affordable prices and reliable quality.

The volume of the textile and garment trade edged upward somewhat during 1994, growing by 1.6 per cent. The increase in disposable income was felt in Seppälä's operations since further sales growth was reported also in existing stores. Sales inclusive of VAT rose to FIM 551 million. Turnover totalled FIM 452 million, representing growth of 22 per cent on the previous year. The previous year's sales figures were exceeded in women's, men's and children's wear. Marketing actions and the total management of different functions connected with them brought results.

All-time best result

Among Seppälä's central objectives for 1994 were to boost sales and to continue the good earnings trend. The significant sales growth was helped by the year-long contribution of stores opened in the previous year as well as the new stores opened in 1994. With the gross margin holding up well and further improvements in cost-effectiveness, Seppälä achieved its best result ever: operating profit was FIM 67.6 million, up by FIM 37.3 million on the year.

Seppälä presents its collections twice a year. Fashions for women, men and children in the spring of 1995.

The all-time best return on investment, 83.7 percent, was achieved by paying close attention to the efficiency of capital employed.

New Seppälä stores

The sales network was expanded by moving into new localities. During 1994 stores were opened in Lieksa, Kankaanpää, Laukaa, Pieksämäki, Kempele, Jämsä, Uusikaupunki, Raisio and Vammala. The stores in Tornio and Myyrmäki in Vantaa moved into new premises. All in all, at the end of 1994 the Seppälä chain comprised 61 stores of its own and three stores operating on a partnership basis.

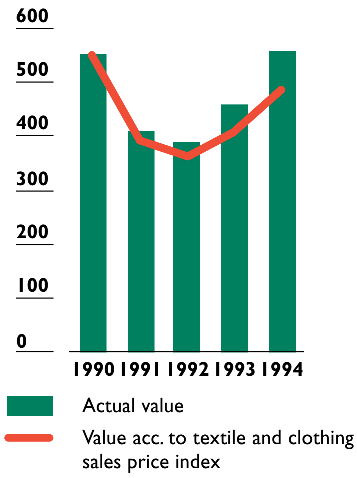
The bulk of the capital expenditures went for the opening of new stores. The interiors of a number of old stores were also refurbished.

Operating procedures enhanced

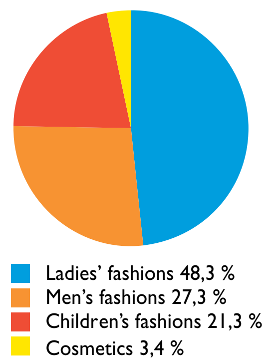
The personnel's input in simplifying and enhancing procedures had an essential effect on the improvement in earnings. Turnover grew substantially also when calculated per employee.

The control of material flows was selected as the central development target, and the personnel's skills in this area were upgraded accordingly. Replacement of the mainframe computer provided better possibilities for carrying out development projects within information technology services. The point-of-sale system will be renewed throughout the entire chain during 1995 and 1996, thus speeding up and enhancing store functions further.

SALES BY SEPPÄLÄ 1990-1994, FIM million



SALES BY SEPPÄLÄ 1994



Outlook for the current year

The outlook for the retail trade in 1995 is promising. Although there is no certainty regarding a long-lived economic expansion, the Seppälä team believe their positive development will continue. A decision has been taken to open four new stores. In March stores will be opened in Keskuskatu street in Helsinki, in Lielahti in Tampere, in Tammisaari and in Kangasala.

Academic Bookstore

		1994	1993
Sales	FIM mill.	**394.1**	393.6
Proportion of Group sales	%	**7.2**	8.8
Operating profit before depreciation	FIM mill.	**13.6**	8.0
Operating profit	FIM mill.	**9.7**	4.0
Return on investment	%	**11.6**	5.4
Investment	FIM mill.	**4.6**	4.5
Personnel Dec.31		**528**	501

Academic Bookstore offers its customers books, stationery, microcomputers, newspapers and magazines in Finland's major university towns. The bookstore's main success factors are its superior assortments and a high level of personnel expertise.

Competition in the book and stationery trade hotted up during the year, particularly in institutional sales. The value-added tax on books was lowered as from 1 June, after which the VAT on books is 12 per cent. This meant a drop of 8.2 per cent in the prices of books.

Sales of books in Finland grew by 3 per cent during 1994. In-store sales of books grew in the latter months of the year and Christmas sales were brisk. Sales of computers grew by more than 20 per cent. An upswing also occurred in the sales of office supplies and stationery products.

Improved earnings

Sales by Academic Bookstore inclusive of VAT were FIM 394 million. Total sales exceeded the targets set. Turnover was FIM 342 million, or 3 per cent more than a year earlier. Thanks to increased operational efficiency, the result of Academic Bookstore improved markedly both on the previous year and against the budgeted target. Operating profit was FIM 9.7 million.

Sales of stationery and microcomputers grew sig-

Academic Bookstore is the official distributor in Finland of books, newspapers and magazines published by the EU.

nificantly in all the stores, totalling 15 per cent. The same-store retail sales of books grew by 7 per cent. Christmas sales went well. The all-time best sales day for Academic Bookstore came on 23 December 1994: the Helsinki bookstore racked up FIM 2 million in sales and the store sales of the entire Academic Bookstore chain for one day came to nearly FIM 4 million.

Event-driven marketing campaigns such as Night of Books in different cities, Crazy Days and a campaign to circulate books stimulated in-store sales.

Turnover from institutional sales of books declined by 15 per cent. Municipalities in particular cut down their orders of books. Turnover from magazine and newspaper subscriptions declined by 7 per cent.

Capital expenditure on information systems

Academic Bookstore's investments totalled FIM 4.6 million. The bulk of the capital expenditure was still spent on information systems. Now that the new book ordering system has come on stream, the newspaper and magazine subscription system will be renewed. New sales space was added to the Tampere store right before Christmas.

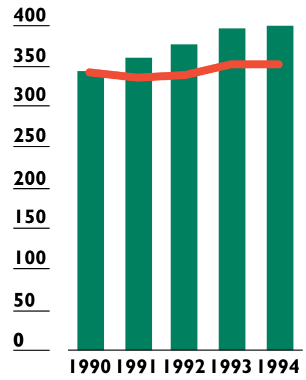
The most significant change during 1994 was the new book ordering system, Eidos, which was introduced in March. The changeover to using the new system went according to plans. The system provides for improved customer service and increases efficiency. It will also yield cost savings. Thanks to the new systems, Academic Bookstore was able to reduce the number of staff during the year.

Objectives for 1995

Academic Bookstore's operations in 1995 will be based on a further refinement of its business idea. Several projects are pending. The institutional sales group will be re-organized based on customer segments. The subscription system will be renewed. Academic Bookstore's marketing will be overhauled so as to utilize the full potential of chain-store operations. The most important marketing efforts will again be directed to regular patrons. Quality of service as well as internal training and communications are central development areas.

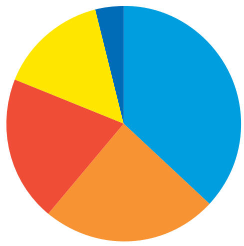
Academic Bookstore is seeking to increase its sales through an extensive and competitively priced assortment, campaigns as well as investment in new product areas such as CD-ROM. The objective is to further improve the profitability of Academic Bookstore.

SALES BY ACADEMIC BOOKSTORE 1990-1994, FIM million*



* Accounting for the change in VAT, June 1

SALES BY ACADEMIC BOOKSTORE 1994 (exclusive of tax)



SALES BY ACADEMIC BOOKSTORE 1994

	FIM mill.	Change %*
Helsinki	261.8	2
Turku	27.0	7
Tampere	25.8	9
Tapiola	18.6	12
Jyväskylä	14.9	-16
Oulu	13.0	3
Lappeenranta	12.8	-21
Itäkeskus	11.2	26
Joensuu	9.0	4
Total	**394.1**	**2**

* Accounting for the change in VAT, June 1

CD-ROMs are sold in a separate shop in the Academic Bookstore in Helsinki.

Board report on operations

Stockmann's sales grew by 23 per cent to FIM 5 486.1 million. Turnover grew by 23 per cent and was FIM 4 507.0 million. Operating profit before depreciation grew from FIM 192.1 million to FIM 302.1 million, or 57 per cent.

Operating profit grew by 103 per cent to FIM 216.9 million. Profit before extraordinary items, appropriations and taxes was FIM 246.9 million. Growth on the previous year was FIM 86.7 million, or 54 per cent.

The Board of Directors proposes payment of a dividend of FIM 6 per share. Since the terms of the 1994 bonus issue were one new share for two old shares, the dividend increase is thus 50 per cent, or FIM 2 per share on an issue-adjusted basis.

The words Stockmann or company refer to OY Stockmann AB as the parent company as well as to all those companies in which the parent company has a direct or indirect holding of more than 50%.

TURNOVER, FIM million

	1994	1993	Change %
Department Store Division	**2 054.2**	1 844.5	**11.4**
Automotive Sales Division	**621.6**	272.1	**128.4**
Sesto	**542.0**	447.4	**21.1**
Hobby Hall	**494.0**	391.4	**26.2**
Seppälä	**451.7**	369.3	**22.3**
Academic Bookstore	**342.0**	332.2	**2.9**
Real estate + others	**98.6**	108.4	**- 9.0**
Eliminations	**- 97.1**	- 106.2	
Total	**4 507.0**	3 659.2	**23.2**

Sales by the retail trade in Finland grew by more than 4 per cent during 1994. The rebound in sales, and consumers' belief in an improvement in the economic situation, were felt particularly in the latter months of the year. The sales volumes of the retail trade were nevertheless still at the level of the mid-1980s and aggregate consumption expenditure by private individuals was about 12 per cent lower than at the beginning of the decade.

Stockmann increased its sales clearly more than the average for the retail trade. Sales grew by 23 per cent to FIM 5 486.1 million. About half of the growth came from the opening of new stores.

Turnover grew by 23 per cent to FIM 4 507.0 million. The growth was the strongest in the Automotive Sales Division, whose turnover more than doubled. The bulk of the growth was due to the fact that the retail sales of VW-Auto, which was acquired in October 1993, were included in the full-year figures for the Automotive Sales Division, but sales of Ford vehicles, too, grew significantly. Turnover of Hobby Hall grew 26 per cent, Seppälä 22 per cent, Sesto 21 per cent, the Department Store Division 11 per cent and Academic Bookstore 3 per cent.

The share of Stockmann's international turnover grew to 6.9 per cent from the previous year's 6.3 per cent.

Improved result

Stockmann's profitability improved. The result was markedly better than could be forecast at the close of the 1993 financial year.

The gross margin grew by FIM 222.4 million, and whereas the growth in costs was only half of this figure, the improvement in operating profit before depreciation was FIM 110.0 million, reaching FIM 302.1 million. Depreciation remained at the level of the previous year and totalled FIM 85.2 million.

Operating profit grew by 110.2 million and was FIM 216.9 million.

Net income from financial operations was FIM 29.9 million, or FIM 23.5 million less than a year earlier.

Profit before extraordinary items, appropriations and taxes grew by FIM 86.7 million to FIM 246.9 million. There were no extraordinary income or expenses. Direct taxes grew by FIM 19.8 million to FIM 65.5 million. Dividends paid for the 1993 financial year rose by FIM 10.6 million to FIM 57.7 million. Net profit for the financial year grew by FIM 77.0 million on the previous year and totalled FIM 178.6 million.

The return on investment grew to 12.7 per cent and the return on equity to 10.0 per cent. Earnings per share were FIM 12.79. The corresponding figure for the previous year was FIM 8.01.

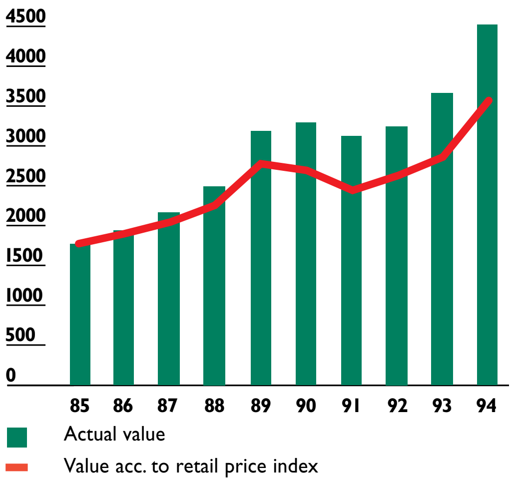
Operating profit grew in most commercial units

All of Stockmann's commercial units reported an operating profit. Most of the units improved their result significantly. As in 1993, Seppälä was Stockmann's most profitable unit as measured by return on investment, thanks to its good sales growth, good gross margin and high cost-efficiency.

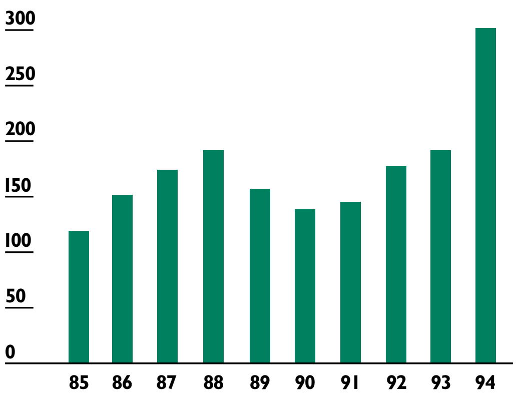
Operating profit of the Department Store Division grew by 17.8 million on the previous year and totalled FIM 67.4 million. The department stores in Finland improved their result by more than FIM 60 million. On the other hand, the result of international operations of the division was down by more than FIM 40 million.

All the department stores gained market shares. Operating costs as a ratio of turnover declined markedly and all five department stores achieved the best operating profit before depreciation in their history. The gross margin ratio in the international operations of the Department Store Division de-

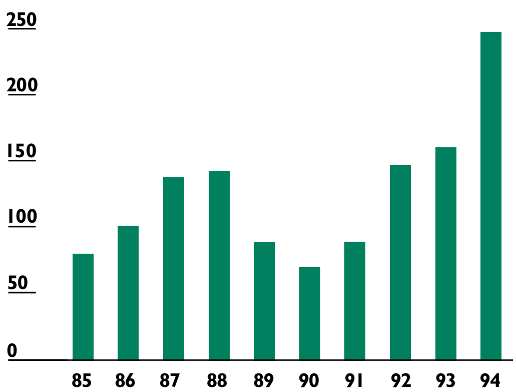
TURNOVER 1985-1994, FIM million



OPERATING PROFIT BEFORE DEPRECIATION 1985-1994, FIM million



OPERATIONAL RESULT* 1985-1994, FIM million



* Profit before extraordinary items, appropriations and taxes

clined sharply and costs grew. The end result of this trend was that the previously very profitable international operations reported a loss in 1994.

During 1994 the Automotive Sales Division grew to become Stockmann's second largest commercial unit and its operating profit rose to a totally new level. Operating profit of the Automotive Sales Division was FIM 15.9 million, or FIM 14.1 million more than a year ago.

Sesto's operating profit was FIM 5.2 million, or FIM 4.8 million less than a year ago. The operating profit was reduced by a lower gross margin than in the previous year as well as by initial costs of the Etujätti hypermarket and the Forum store.

Hobby Hall improved its operating profit substantially, to FIM 44.7 million from FIM 13.6 million a year earlier. The growth in sales was buoyant and a well chosen programme of offerings helped to raise the gross margin ratio. The return on investment was 23.9 per cent.

Seppälä's operating profit grew by FIM 37.3 million on the previous year and was FIM 67.6 million. Seppälä achieved excellent sales growth, whilst holding costs at nearly the previous year's level. Seppälä's return on investment was the best in its history, a whopping 83.7 per cent.

Operating profit of Academic Bookstore grew to FIM 9.7 million from FIM 4.0 million a year earlier owing to increased operational efficiency.

Property generates income

The greater part of real-estate income consisted of internal rents paid by the business units. The level of rents was lowered at the beginning of the year to correspond to market rents. Operating profit of the real-estate unit was FIM 65.1 million. The operating profit declined by FIM 11.1 million partly owing to the fall in rents from the level of the previous year and partly because real-estate taxes were entered in Real estate maintenance expenses, whereas real-estate taxes for 1993 were entered in Taxes.

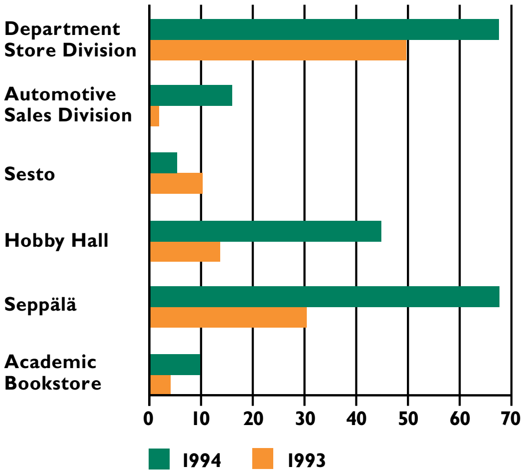
Strong financial position

Stockmann's financial position was very good throughout the year. Cash-flow financing of FIM 266.6 million was enough to cover capital expenditures as well as dividends and taxes.

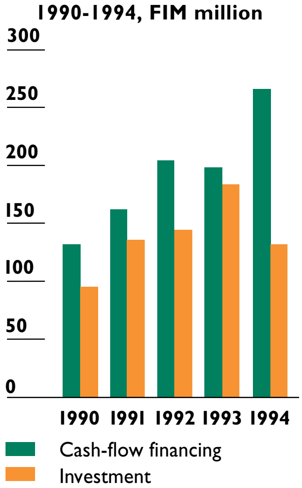
During the year loans were paid back in the amount of FIM 21.1 million, of which loans under the pension relending scheme accounted for FIM 20.6 million. New pension loans were raised in the amount of FIM 45.4 million. Commercial paper issued by Stockmann to a nominal value of FIM 50.0 million was booked under Other current liabilities.

Stockmann's equity ratio fell to 65.7 per cent from the previous year's figure of 67.1 per cent. The fall was due to the increase in the balance sheet total by 9.1 per cent owing to the increase in stocks and and sales receivables in the wake of increased sales towards the end of the year.

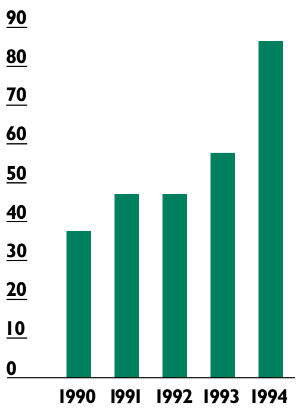
OPERATING PROFIT OF COMMERCIAL UNITS, FIM million



CASH-FLOW FINANCING AND INVESTMENT 1990-1994, FIM million



DIVIDEND PAID 1990-1994, FIM million



Financial operations

Major changes took place in the financial markets during 1994. The interest rate on the government's ten-year benchmark bonds rose to 10.08 per cent from 6.72 per cent. The external value of the Finnish markka strengthened by 10 per cent as measured by the ECU index.

During the year Stockmann's cash funds were invested mainly in long-term interest-bearing instruments whose yield level was reasonable. The interest rate gains that were realized on bond futures and other bond loans during the first part of the year - about FIM 11 million - were virtually wiped out during the latter half of the year as a result of the rise in interest rates. Because of rising interest rates it was not possible to realize gains on the sale of bonds and notes as in the previous year. Write-downs of FIM 5.1 million on the value of bonds and notes have been entered in the financial statements.

The running yield on the investment portfolio, 7.5 per cent, was clearly lower than in 1993 owing to sell-offs of high yield debt instruments in the first part of 1994. The strengthening of the Finnish markka in the latter months of the year caused a net interest rate loss of FIM 3.5 million.

Other financial expenses include more than FIM 3 million of expenses incurred in going over to the book-entry share registration system and in floating the bonus issue.

The net yield from treasury operations declined by FIM 23.5 million and was FIM 29.9 million.

Capital expenditures decrease

Capital expenditures totalled FIM 132.9 million, compared with FIM 185.2 million in the previous year.

Capital expenditures for machinery and equipment amounted to FIM 70.3 million, for buildings, FIM 23.3 million, for lots, FIM 4.7 million and for securities, FIM 5.1 million. Other long-term expenditures totalled FIM 29.5 million.

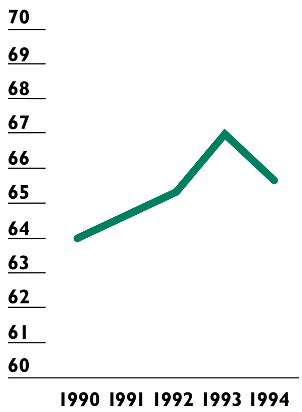
The most significant of the individual capital expenditures was the Sesto Etujätti hypermarket in the Tammisto district of Vantaa near Helsinki.

The department store project that was the subject of negotiations in St Petersburg fell through because Stockmann did not reach an agreement that was satisfactory to the company. Construction of a 5 500 square metre department store will get under way in Tallinn, Estonia, during the spring of 1995 and will be completed in April 1996.

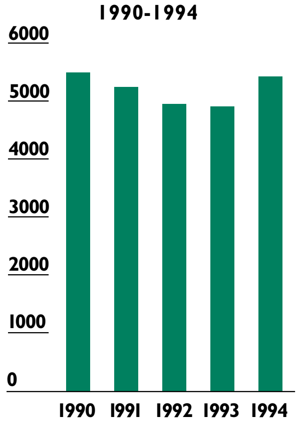
Share capital increased

Stockmann's share capital was increased through a bonus issue to FIM 288 292 200 from FIM 192 194 800 by transferring FIM 96 097 400 from the contingency fund to equity. Two old A and/or B shares gave shareholders the right to subscribe one new Series B share free of charge. The share capital increase was entered in the Trade Register on 8 June 1994.

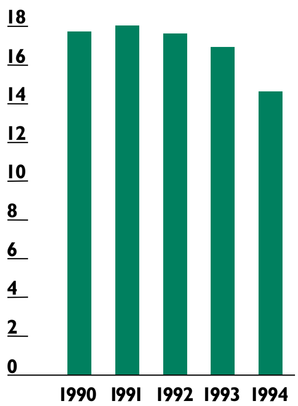
EQUITY RATIO
1990-1994, %



AVERAGE NUMBER OF PERSONNEL
1990-1994



PERSONNEL EXPENSES 1990-1994,
% OF TURNOVER



Stock option targeted at Group management

On 12 April 1994 the Annual General Meeting decided to float a stock option as part of an incentive system for management. According to the conditions of the loan, those entitled to participate in the issue can subscribe the company's Series B shares, whose average price at the time of issuance was FIM 275, during the years 1996, 1997 and 1998 at subscription prices of FIM 320, FIM 340 and FIM 360, respectively. After the bonus issue, the new subscription prices will be FIM 213.34, FIM 226.67 and FIM 240.00. A maximum of 270 000 shares will be offered for subscription.

When the decision was taken to float the issue, the tax treatment of option loans was straightforward. The subscription of such shares was tax-free. In the event that a person subscribing the issue received a gain on the sale of warrants or shares owing to a subsequent rise in the share price, this was taxed as capital income of a private person and at no stage involved costs to the company. In September 1994 information was received regarding a plan to change the tax treatment of option loans in such a way that the benefit resulting from exercise of the option would constitute salary income for the employed subscriber of the issue and the company would be liable to pay salary-related social costs on it. Furthermore, it would also be counted as salary income in determining pension entitlements. Plans called for implementing the changes, after a transition period, at the beginning of 1995 and they were also to apply to option loans issued before the act came into force.

The proposed tax treatment would have led to consequences which had not been contemplated when the decision was taken to float the issue. These would have been, among other things, the salary-related social costs the company would have to pay on the loan in 1996, 1997 and 1998. Consequently, all the subscribers of the issue decided to give up their right to subscribe shares. The company's Board of Directors approved the decision.

Holders of warrants have the right to carry out share subscriptions according to the terms and conditions of the loan.

Information systems upgraded

During the spring of 1994, upgrading of the primary information systems of Stockmann was seen to completion.

Following the renewal of these systems, all Stockmann's system servers and workstations are now connected together by means of a modern network solution which in future will make possible flexible and fast data communications links to external partners in cooperation and, if the competitive situation so demands, also to customers.

Number of personnel grows

Personnel expenses totalled FIM 656.6 million, compared with FIM 620.2 million a year earlier. Personnel expenses increased mainly owing to the setting up of new units and the increase in part-time staff.

Stockmann's payroll in December was 6 010 employees, or 809 employees more than a year ago. Converted to full-time personnel, the payroll was 5 190 employees, or 689 people more than a year earlier. Included in the personnel figure for December are Christmas part-timers, who were used to a larger extent in 1994 than in the previous year.

The largest effect on the growth in the number of personnel was the transfer of the Russian personnel who work in the stores in Moscow to the employ of Stockmann's subsidiary A/O Kalinka-Stockmann at 30 November, 1994. In addition, Sesto established two large stores during the year.

The number of personnel working abroad at the end of the year was 525, of whom 78 were Finns.

The parent company's payroll, converted to a full-time basis, was 4 083, an increase of 282 employees.

The average number of employees during the year was 5 248 people, or 336 people more than in 1993. The average number of personnel in the parent company during the year was 4 367 people, an increase on the previous year of 279 employees. During the year Stockmann employed about 450 external summer employees, and the number of hours worked by 300 part-timers was increased over the summer period. The corresponding figures during the Christmas season were 450 and 150.

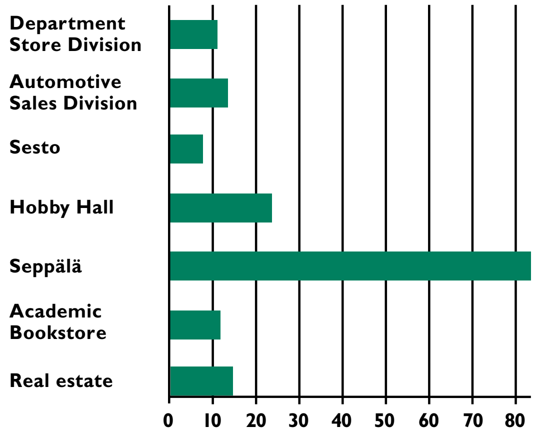
Outlook for 1995

Forecasts indicate that private consumption will grow by about 4 per cent during 1995 and the real disposable income of households by about 3 per cent. Sales by the retail trade are expected to increase by about 6 per cent net of sales of supermarket goods, for which the sales figure in money terms will decline due to the price reductions brought by EU membership. Consumers' belief in the recovery of the economy has grown stronger and there is rising demand for consumer durables in particular. Nonetheless, the economy has not yet resolved the big problems confronting it. Unemployment is still high and there seem to be no available means of halting the government's mounting indebtedness. The income tax rate is one of the world's highest.

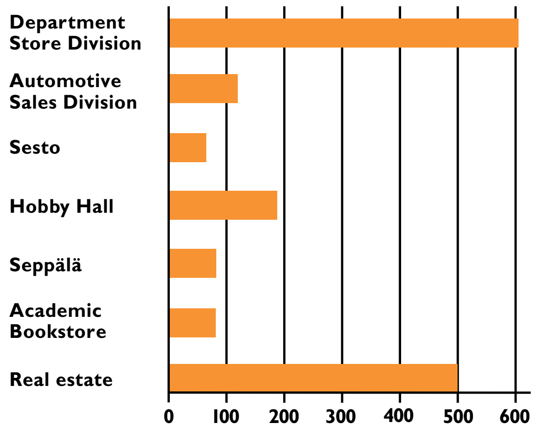
Stockmann's good business trend is expected to continue. The growth in turnover will not be as strong as in 1994. Growth will come mainly from active sales operations in same-store conditions that compare with the previous year. New units and extensions - the most important of which will be new Sesto Etujätti hypermarkets in Turku and Espoo as well as the extension of the Delicatessen in the Helsinki department store - will come towards the end of 1995. As a result of actions that have been undertaken, the result of international operations is forecast to improve markedly during 1995.

The 1995 profit before extraordinary items, appropriations and taxes is estimated to be at least at the same level as in 1994.

RETURN ON INVESTMENT (ROI, %) 1994



CAPITAL INVESTED 1994, FIM million



Capital invested and return on investment in internal accounting

The return on investment, in per cent terms, is calculated as a ratio of the internal accounting operating profit - ie, the operating profit before depreciation less planned depreciation - to capital invested.

In internal accounting, the units are debited with an imputed going-rate rent for premises owned by the company as well as with a share of the overhead.

Of the various equity items, financial assets are valued at their nominal value, stocks at cost less trade payables; lots are valued at cost and other fixed assets at cost less planned depreciation.

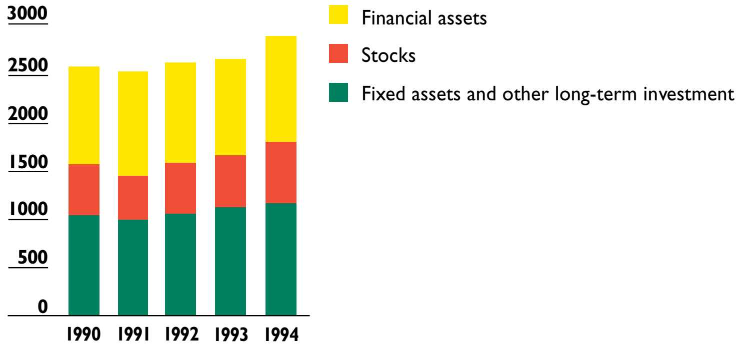
Consolidated income statement

	Jan.1-Dec.31 1994	FIM million	Jan.1-Dec.31 1993	FIM million	Change %
Turnover [1]		**4 507.0**		3 659.2	23.2
Expenses					
Materials, supplies and goods [2]					
Purchases	**3 134.7**		2 422.2		
Increase in inventories	**- 96.7**		- 9.6		
Personnel expenses [3]	**656.6**		620.2		
Rents	**191.2**		174.0		
Other expenses [4]	**319.1**	**4 204.9**	260.3	3 467.1	21.3
Operating profit before depreciation		**302.1**		192.1	57.3
Depreciation on fixed assets and other long-term expenditure [5]		**85.2**		85.4	- 0.2
Operating profit		**216.9**		106.7	103.3
Financial income and expenses [6]					
Dividends received	**2.3**		1.1		
Interest income	**63.3**		87.5		
Other financial income	**0.0**		2.6		
Interest expenses	**27.4**		33.2		
Other financial expenses	**8.3**	**29.9**	4.6	53.4	- 44.0
Profit before extraordinary items, appropriations and taxes		**246.9**		160.2	54.1
Extraordinary income and expenses [7]					
Extraordinary expenses		**0.0**		- 25.1	
Profit before appropriations and taxes		**246.9**		135.1	82.8
Depreciation in excess of plan [5]		**- 10.9**		- 52.3	
Decrease in voluntary reserves		**8.2**		64.5	
Taxes [8]					
For the financial year	**62.5**		45.7		
For previous years	**3.0**	**65.5**	0.0	45.7	43.3
Profit for the financial year		**178.6**		101.6	75.8

Consolidated balance sheet

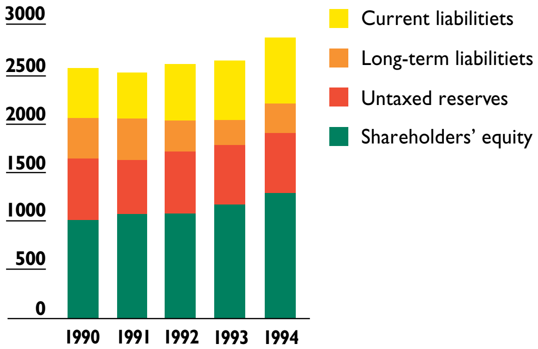
Assets	Dec.31 1993 FIM million		Dec.31 1993 FIM million	
Fixed assets and other long-term investment				
Intangible assets [9]				
Other long-term expenditure	**75.1**		60.1	
Tangible assets [9]				
Land and water	**86.0**		77.0	
Buildings	**625.7**		615.6	
Machinery and equipment	**234.6**		224.1	
Other tangible assets	**0.3**		0.3	
	946.6		917.0	
Securities booked under fixed assets and other long-term investment [10]				
Shares and holdings	**142.7**	**1 164.4**	139.7	1 116.8
Current assets				
Stocks				
Materials, supplies and goods	**640.8**		544.1	
Receivables [12,14]				
Trade receivables	**565.3**		433.7	
Loan receivables	**13.0**		14.9	
Accrued assets	**58.9**		51.3	
Other receivables	**28.9**		33.9	
	666.1		533.8	
Securities booked under financial assets [15]				
Bonds and other promissory notes	**319.2**		371.6	
Cash and bank receivables	**109.2**	**1 735.3**	91.4	1 540.9
		2 899.7		2 657.6

ASSETS, FIM million



Liabilities and shareholders' equity	Dec.31, 1994 FIM million		Dec.31, 1993 FIM million	
Shareholders' equity [16,17]				
Restricted equity				
Series A shares	**165.8**		165.8	
Series B shares	**122.5**		26.4	
Total share capital	**288.3**		192.2	
Reserve fund	**360.4**		456.5	
Revaluation fund	**140.0**		140.0	
Distributable equity				
Contingency fund	**260.0**		260.0	
Retained earnings	**62.1**		18.4	
Profit for the financial year	**178.6**	**1 289.4**	101.6	1 168.7
Untaxed reserves [18]				
Accumulated depreciation in excess of plan	**365.3**		354.4	
Voluntary reserves				
Investment reserves	**10.2**		12.2	
Transitional reserves	**241.1**		247.3	
	251.3	**616.6**	259.5	613.9
Liabilities [13, 19-21]				
Long term				
Loans from financial institutions			0.2	
Pension loans	**301.9**		273.7	
Other long-term liabilities	**1.5**			
	303.4		273.9	
Current				
Loans from financial institutions	**1.4**		0.4	
Pension loans	**16.8**		20.6	
Trade payables	**272.6**		225.1	
Deferred liabilities	**250.0**		204.7	
Other current liabilities	**149.5**		150.3	
	690.3	**993.7**	601.1	875.0
		2 899.7		2 657.6

FINANCING, FIM million



Consolidated funds statement

	1994 FIM milion	1993 FIM million
Generated from operations		
Cash-flow financing		
Operating profit before depreciation	**302.1**	192.1
Financial income and expenses	**29.9**	53.4
Extraordinary items	**0.0**	- 25.1
Taxes	**- 65.5**	- 45.7
	266.6	174.7
Change in working capital		
Stocks		
increase (-), decrease (+)	**- 96.7**	-9.6
Current trade receivables		
increase (-), decrease (+)	**-132.3**	15.9
Non-interest-bearing current liabilities		
increase (-), decrease (+)	**36.7**	28.4
Write-down on fixed assets		23.7
	-192.3	58.5
Cash flow from operations	**74.2**	233.2
Investments		
Investments in fixed assets	**- 132.9**	- 185.2
Income on the sale of fixed assets		1.9
	- 132.9	- 183.3
Cash flow before financing	**-58.7**	49.9
Financing		
Long-term loans: increase (+)	**46.9**	
Long-term loans: decrease (-)	**- 21.1**	- 161.1
Short-term loans: decrease (-), increase (+)	**56.2**	101.5
Distribution of profit	**- 58.0**	- 47.4
Share issue		30.1
	24.0	- 76.9
Change in liquid funds according to the funds statement	**- 34.6**	- 27.0
Change in liquid funds according to the balance sheet	**- 34.6**	- 27.0
Liquid funds as at 1 January	**463.0**	490.0
Change	**- 34.6**	- 27.0
Liquid funds as at 31 December	**428.4**	463.0

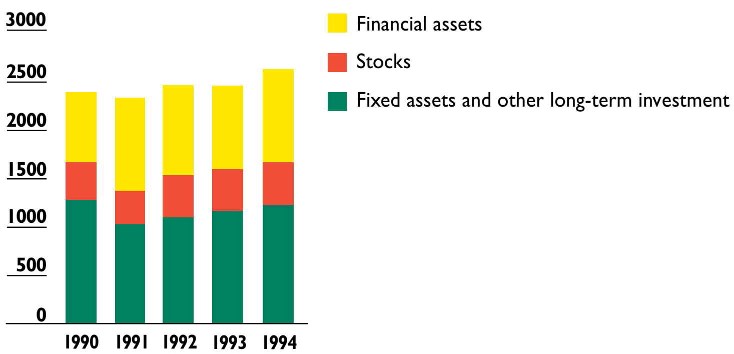
Parent company income statement

		Jan.1-Dec.31,1994 FIM million		Jan.1-Dec.31,1993 FIM million	Change %
Turnover [1]		**3 616.8**		2 901.9	24.6
Expenses					
Materials, supplies and goods [2]					
Purchases	**2 521.8**		1 944.1		
Increase in inventories	**- 9.7**		- 9.2		
Personnel expenses [3]	**545.2**		517.6		
Rents	**153.1**		141.4		
Other expenses [4]	**228.9**	**3 439.4**	178.6	2 772.6	24.0
Operating profit before depreciation		**177.4**		129.3	37.3
Depreciation on fixed assets and other long-term expenditure [5]		**72.7**		69.2	5.1
Operating profit		**104.6**		60.1	74.4
Financial income and expenses [6]					
Dividends received	**2.3**		1.1		
Interest income	**65.8**		92.2		
Other financial income	**0.0**		1.6		
Interest expenses	**29.8**		32.2		
Other financial expenses	**8.3**	**30.0**	4.9	57.8	- 48.0
Profit before extraordinary items, appropriations and taxes		**134.6**		117.9	14.4
Extraordinary income and expenses [7]					
Extraordinary expenses		**0.0**		-25.1	
Profit before appropriations and taxes		**134.6**		92.8	45.3
Depreciation in excess of plan [5]		**- 12.4**		- 49.1	
Decrease in voluntary reserves		**6.2**		59.3	
Taxes [8]					
For the financial year	**33.9**		33.2		2.1
For previous years	**3.0**	**36.9**	0.0	33.2	11.1
Profit for the financial year		**91.4**		69.8	31.4

Parent company balance sheet

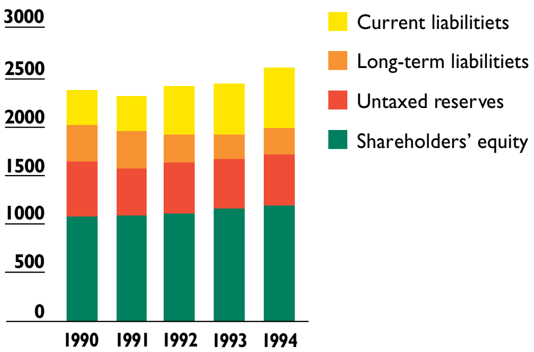
Assets	Dec.31, 1994 FIM million		Dec.31, 1993 FIM million	
Fixed assets and other long-term investment				
Intangible assets 9)				
Other long-term expenditure	**67.1**		51.3	
Tangible assets 9)				
Land and water	**51.7**		47.0	
Buildings	**548.5**		535.6	
Machinery and equipment	**208.3**		198.5	
Other tangible assets	**0.3**		0.3	
	808.8		781.4	
Securities booked under fixed assets and other long-term investment 10,11)				
Shares and holdings	**315.4**		310.4	
Loan receivables	**22.0**		22.0	
	337.4	**1 213.3**	332.4	1 165.1
Current assets				
Stocks				
Materials, supplies and goods	**442.0**		432.3	
Receivables 12-14)				
Trade receivables	**385.5**		309.6	
Loan receivables	**115.2**		43.5	
Accrued assets	**49.7**		52.2	
Other receivables	**23.8**		27.8	
	574.2		433.1	
Securities booked under financial assets 15)				
Bonds and other promissory notes	**319.2**		371.6	
Cash and bank receivables	**72.3**	**1 407.6**	55.4	1 292.4
		2 620.9		2 457.5

ASSETS, FIM million



Liabilities and shareholders' equity	**Dec.31, 1994 FIM million**		Dec.31, 1993 FIM million	
Shareholders' equity [16,17]				
Restricted equity				
Series A shares	**165.8**		165.8	
Series B shares	**122.5**		26.4	
Total share capital	**288.3**		192.2	
Reserve fund	**360.4**		456.5	
Revaluation fund	**140.0**		140.0	
Distributable equity				
Contingency fund	**260.0**		260.0	
Retained earnings	**49.3**		37.4	
Profit for the financial year	**91.4**	**1 189.3**	69.8	1 155.9
Untaxed reserves [18]				
Accumulated depreciation in excess of plan	**319.8**		307.3	
Voluntary reserves				
Transitional reserve	**211.9**		218.1	
	211.9	**531.7**	218.1	525.4
Liabilities [13,19-21]				
Long-term				
Pension loans	**271.8**		247.6	
Other long-term liabilities	**1.5**			
	273.3		247.6	
Current				
Pension loans	**14.5**		18.6	
Trade payables	**185.6**		175.4	
Deferred liabilities	**167.1**		152.7	
Other current liabilities	**259.4**		181.9	
	626.5	**899.8**	528.6	776.2
		2 620.9		2 457.5

FINANCING, FIM million



Parent company funds statement

	1994 FIM million	1993 FIM million
Generated from operations		
Cash-flow financing		
Operating profit before depreciation	**177.5**	129.3
Financial income and expenses	**30.1**	57.8
Extraordinary items		- 25.1
Taxes	**- 36.9**	- 33.2
	170.7	128.9
Change in working capital		
Stocks,		
increase (-), decrease (+)	**- 9.7**	- 9.2
Current trade receivables		
increase (-), decrease (+)	**- 141.5**	45.1
Non-interest-bearing current liabilities		
increase (-), decrease (+)	**42.7**	34.7
Write-down on fixed assets		23.7
	- 108.4	94.4
Cash flow from operations	**62.3**	223.2
Investments		
Investments in fixed assets	**- 120.9**	- 166.4
Income on the sale of fixed assets		1.5
	- 120.8	- 164.9
Cash flow before financing	**- 58.5**	58.3
Financing		
Long-term loans: increase (+)	**40.2**	
Long-term loans: decrease (-)	**- 14.6**	- 46.1
Short-term loans: increase (+), decrease (-)	**55.2**	- 1.3
Share issue		30.1
Distribution of profit	**- 58.0**	- 47.4
	22.9	-64.6
Change in liquid funds according to the funds statement	**- 35.6**	- 6.3
Change in liquid funds according to the balance sheet	**- 35.6**	- 6.3
Liquid funds as at January 1	**427.0**	433.3
Change	**- 35.6**	- 6.3
Liquid funds as at December 31	**391.4**	427.0

Notes to the financial statements

Accounting policy

General principles

The financial statements have been prepared on the basis of original purchase value.

Scope of the Consolidated Financial Statements

The Consolidated financial statements cover the parent company OY Stockmann AB and those companies in which the parent company controls, directly or indirectly, more than 50% of the voting rights conferred by the shares. Property management companies in which Group companies have more than a 20% interest have not been treated as an associated companies and the Group includes no other associated companies.

Internal transactions

Transactions between Group companies have been eliminated.

Shares in subsidiaries

Shareholding between Group companies has been eliminated by the purchase cost method. The difference between the purchase price of subsidiary shares and equity has been allocated in part to fixed assets in the Consolidated balance sheet. The proportion exceeding going values is shown as a separate goodwill item which is amortized on a straight-line basis over a period of five or ten years.

Of the voluntary untaxed reserves of subsidiaries at the time of acquisition, 75 per cent has been deemed to constitute equity. The remaining 25 per cent is included under liabilities in the Consolidated balance sheet. In reducing the voluntary reserve of a subsidiary at the time of acquisition, only the portion corresponding to a reduction in the deferred tax liability is entered as income for the Group. This item is shown in Extraordinary income in the Consolidated financial statements.

Subsidiary abroad

The financial statement figures for a Russian subsidiary have been translated to Finnish markkaa using the monetary-non-monetary method according to which fixed assets, stocks and equity are translated to Finnish markkaa at the average rate quoted by the Bank of Finland at the time of acquisition, the other balance sheet items are translated at the average rate quoted by the Bank of Finland on the balance sheet date and the income statement at the average rate of the year.

The minority interest in the consolidated result and shareholders' equity has not been stated because the minority shareholders have no right to the result or shareholders' equity of the subsidiary, according to the agreements made between the shareholders.

Stocks

Stocks are valued according to the principle of lowest value - ie, stocks are recorded in the balance sheet at acquisition cost or at the probable market price, whichever is lower. The cost of stocks is determined as being the direct cost of acquisition according to the FIFO principle.

Foreign currency-denominated receivables and liabilities

Foreign currency-denominated receivables and liabilities are valued according to the average rates quoted by the Bank of Finland on the balance sheet date. Gains and losses on foreign exchange in financial operations are entered as net amounts under Other financial expenses.

Fixed assets and depreciation

Fixed assets are valued according to the original cost less planned depreciation. The balance sheet values furthermore include revaluations of land areas and buildings.

The following terms are applied to deprecation in the consolidated accounts:

- Planned depreciation, based on the original cost and the estimated economically useful life of each fixed asset: 5-10 years for other long-term expenditure, 25-50 years for buildings, 7-12 years for machinery and equipment, 5 years for lightweight store furnishings, motor vehicles and data processing equipment.
- Booked depreciation, which is based on tax legislation.

The difference between booked and planned depreciation is stated as an increase or decrease in the depreciation shown in the income statement. In the Balance sheet, the accumulated difference between planned and booked depreciation is shown under Reserves on the liabilities side of the Balance sheet.

Notes to the financial statements

Income statement

1 Turnover

Russia accounted for FIM 280.1 million in 1994 and and FIM 222.4 million in 1993 and Estonia for FIM 30.5 million in 1994 and FIM 8.2 million in 1993 of the Department Store Division's and Hobby Hall's turnover. International operations generated a total of 6.9% of Stockmann's turnover in 1994 and 6.3% in 1993.
Credit losses amounted to FIM 14.8 million in 1994 and 23.4 million in 1993.

2 Gross margin

	Group 1994		Group 1993		Parent company 1994		Parent company 1993	
	FIM mill.	%	FIM mill	%	**FIM mill.**	%	FIM mill.	%
Turnover	**4 507.0**	**100.0**	3 659.2	100.0	**3 616.8**	**100.0**	2 901.9	100.0
Materials, supplies and goods	**3 038.0**	**67.4**	2 412.6	65.9	**2 512.1**	**69.5**	1 935.0	66.7
Gross margin	**1 469.0**	**32.6**	1 246.6	34.1	**1 104.7**	**30.5**	966.9	33.3

3 Personnel expenses

	Group		Parent company	
FIM million	**1994**	1993	**1994**	1993
Salaries and emoluments paid to the Boards of Directors and Managing Directors	**3.4**	3.4	**1.8**	1.5
Other wages and salaries	**522.0**	471.5	**437.6**	394.2
Statutory salary-related expenses				
Pension insurance	**63.0**	65.2	**51.2**	53.8
Other statutory salary-related expenses	**54.9**	55.1	**44.0**	45.7
Voluntary salary-related expenses	**13.3**	25.0	**10.7**	22.4
Total	**656.6**	620.2	**545.2**	517.6
Taxation value of fringe benefits	**6.5**	4.9	**6.0**	4.4

Management pension liabilities
The agreed retirement age for Group company Managing Directors is 55-65 years.
The agreed retirement age for the parent company Managing Director is 60 years.

4 Other expenses

	Group		Parent company	
FIM million	**1994**	1993	**1994**	1993
Marketing expenses	**121.8**	97.4	**61.7**	41.5
Warehouse, packaging and transportation	**15.5**	9.9	**14.3**	9.0
Repairs	**19.5**	15.7	**14.7**	11.6
Electricity, heating and fuel	**20.0**	17.3	**17.3**	14.8
Travel and conferences	**15.8**	12.5	**13.4**	10.3
Real-estate maintenance	**34.1**	29.7	**30.6**	25.9
Post and telecommunications	**19.3**	17.1	**12.2**	10.5
Other expense items	**73.3**	60.8	**64.7**	55.1
Total	**319.1**	260.3	**228.9**	178.6

5 Planned depreciation

	Group		Parent company	
FIM million	**1994**	1993	**1994**	1993
Planned depreciation				
Other long-term expenditure	**14.5**	12.0	**12.7**	9.2
Buildings	**13.3**	12.7	**10.5**	10.0
Machinery and equipment	**57.4**	60.7	**49.5**	50.1
Total	**85.2**	85.4	**72.7**	69.2

FIM million	Group 1994	Group 1993	Parent company 1994	Parent company 1993
Change in depreciation in excess of plan				
Income Statement				
Other long-term expenditure	**1.7**	-1.3	**2.1**	-0.3
Buildings	**7.5**	29.3	**8.6**	28.0
Machinery and equipment	**1.7**	24.3	**1.7**	21.4
Total	**10.9**	52.3	**12.4**	49.1
Balance Sheet				
Adjustment to depreciation in excess of plan in subsidiaries	**0.0**	-7.3	**0.0**	0.0
Total	**10.9**	45.0	**12.4**	49.1

FIM million	1994	1993
Planned depreciation		
OY Stockmann AB	**72.7**	69.2
Oy Hobby Hall Ab	**5.4**	5.5
Seppälä group	**5.4**	9.0
Suomen Pääomarahoitus Oy	**0.9**	0.9
Kiinteistö Oy Vantaan Rasti	**0.8**	0.7
Total	**85.2**	85.4

Planned depreciation is calculated on the original cost and economically useful life of each item of fixed assets on a straight-line basis. The planned depreciation periods are:

Other long-term expenditure	5-10 years
Buildings	25-50 years
Machinery and equipment	5-12 years

6 Financial income and expenses

Internal income and expenses of the Group

FIM million	Parent company 1994	Parent company 1993
Financial income from Group companies		
Interest income on long-term investment	**1.7**	2.2
Interest income on short-term investment	**2.6**	4.6
Financial expenses paid for Group companies		
Interest expenses	**4.7**	2.4

Interest income
Interest income is reduced by a FIM 5.1 million write-down on bonds in 1994. The write-down has been made when the acquisition cost of a bond was lower than the market value at the balance sheet date.

Other financial expenses
Other financial expenses include foreign exchange losses on treasury operations in 1994 of FIM 9.5 million and foreign exchange gains of FIM 6.0 million. The corresponding figures for 1993 were FIM 2.9 million and 1.6 million.

7 Extraordinary income and expenses

FIM million	Group 1994	Group 1993	Parent company 1994	Parent company 1993
Loss on sale of fixed assets	**0.0**	1.4	**0.0**	1.4
Write-down on fixed asset shares	**0.0**	23.7	**0.0**	23.7
Total	**0.0**	-25.1	**0.0**	-25.1

8 Taxes, other expenses

Real-estate taxes for 1994 of FIM 4.0 million are entered in Other expenses and real-estate taxes for 1993 of FIM 2.7 million are entered in Taxes.

Notes to the financial statements

Balance sheet

9 Intangible and tangible assets

FIM million	Group 1994	Group 1993	Parent company 1994	Parent company 1993
Other long-term expenditure				
Cost Jan.1	**91.2**	64.4	**77.0**	50.8
Increases Jan.1-Dec.31	**29.5**	26.8	**28.4**	26.2
Decreases Jan.1-Dec.31	**7.1**		**6.0**	
Cost Dec.31	**113.5**	91.2	**99.4**	77.0
Accumulated planned depreciation Dec.31	**38.6**	31.1	**32.3**	25.6
Book value Dec.31	**75.1**	60.1	**67.1**	51.3
Accumulated difference between total and planned depreciation Jan.1	**5.7**	6.2	**1.8**	2.0
Depreciation in excess of plan Jan.1-Dec.31	**1.7**		**2.1**	
Depreciation less than plan Jan.1-Dec.31		0.5		0.2
Accumulated difference between total and planned depreciation Dec.31	**7.4**	5.7	**3.9**	1.8
Land and water				
Cost Jan. 1	**77.0**	65.5	**47.0**	47.0
Increases Jan.1-Dec.31	**9.0**	11.5	**4.7**	
Book value Dec.31	**86.0**	77.0	**51.7**	47.0
Cost Jan. 1	**696.5**	674.1	**612.8**	587.7
Increases Jan.1-Dec.31	**23.4**	25.4	**23.4**	25.1
Decreases Jan.1 -Dec.31		3.0		
Cost Dec.31	**719.9**	696.5	**636.2**	612.8
Accumulated planned depreciation Dec.31	**94.2**	80.9	**87.8**	77.2
Book value Dec.31	**625.7**	615.6	**548.5**	535.6
Accumulated difference between total and planned depreciation Jan.1	**261.0**	236.2	**228.4**	200.5
Depreciation in excess of plan Jan.1-Dec.31	**7.5**	24.8	**8.6**	27.9
Accumulated difference between total and planned depreciation Dec.31	**268.5**	261.0	**237.0**	228.4
Machinery and equipment				
Cost Jan.1	**417.9**	355.8	**368.8**	312.5
Increases Jan.1-Dec.31	**70.3**	62.6	**59.0**	56.4
Decreases Jan.1-Dec.31	**30.8**	0.5	**31.1**	0.2
Cost Dec.31	**457.4**	417.9	**396.7**	368.8
Accumulated planned depreciation Dec.31	**222.8**	193.8	**188.4**	170.3
Book value Dec.31	**234.6**	224.1	**208.3**	198.5
Accumulated difference between total and planned depreciation Jan.1	**87.7**	67.0	**77.1**	55.7
Depreciation in excess of plan Jan.1-Dec.31	**1.7**	20.7	**1.7**	21.4
Accumulated difference between total and planned depreciation Dec. 31	**89.4**	87.7	**78.9**	77.1
Other tangible assets				
Cost Jan.1	**0.3**	0.3	**0.3**	0.3
Book value Dec.31	**0.3**	0.3	**0.3**	0.3

Revaluation included in balance sheet values

FIM million	Group 1994	Group 1993	Parent company 1994	Parent company 1993
Lots and land areas	**35.1**	35.1	**35.1**	35.1
Buildings	**157.7**	157.7	**157.7**	157.7
Total	**192.8**	192.8	**192.8**	192.8

Taxation and fire insurance values

FIM million	Group 1993	Group 1992	Parent company 1993	Parent company 1992
Taxation values				
Land areas	335.8	335.2	331.7	331.7
Shares in subsidiaries	-	-	147.0	120.2
Other shares	112.3	102.5	107.2	97.1

FIM million	Group 1993	Group 1992	Parent company 1993	Parent company 1992
Buildings				
Taxation values	152.3	157.4	104.7	107.3
Fire insurance values	1 289.7	1 272.8	1 194.7	1 154.8

10 Shares and holdings

Parent company holdings	Number	Proportion of votes %	Holding %	Par value million units	Book value FIM million	Net profit FIM million	Equity FIM million
Shares in subsidiaries							
A/O Kalinka-Stockmann	100	100.0	65.0	RUR 65.00	0.09	-2.5	-2.4
Aspius Oy	100	100.0	100.0	0.02	4.35	0.0	1.8
Oy Hobby Hall Ab	120 000	100.0	100.0	60.00	111.79	34.0	116.9
Oy Hullut Päivät-Galna Dagar Ab	10	100.0	100.0	0.02	0.02	0.0	0.0
Oy Suomen Pääomarahoitus-Finlands Kapitalfinans Ab	1 000	100.0	100.0	10.00	10.00	1.5	12.7
Sewex Oy	30 000	100.0	100.0	30.00	30.00	52.6	99.9
Kiinteistö Oy Friisinkeskus	1 000	100.0	100.0	0.05	0.05	0.0	0.9
Kiinteistö Oy Vantaan Valimotie	500 000	100.0	100.0	5.00	5.00	0.0	4.8
Kiinteistö Oy Vantaan Rasti	388	100.0	100.0	3.00	29.26	0.0	27.2
Shares in subsidiaries, total					190.54	85.6	261.8
Other shares							
Aktia Säästöpankki Oy	5 000		-	0.10	0.10		
Asunto Oy Albertinkatu 28	238		1.0	0.01	0.56		
Asunto Oy Eino Leinonkatu 7	1583		25.0	2.69	8.53		
Asunto Oy Harjula	2		2.0	-	0.52		
Helsingin Keskustukku Oy	45		12.0	0.23	0.48		
Helsinki Telephone Company	347		-	-	0.77		
Oy Investa Ab, series A	187 500		1.0	3.75	5.00		
Kesko Oy	1 267 000		1.0	12.67	50.19		
Kirjavälitys Oy	32 963		14.0	0.82	1.12		
MTV Oy	400		1.0	0.50	1.12		
NCC	14 000		-	SEK 0.36	0.36		
Oy Partek Ab	38 966		-	0.39	4.60		
Pitäjänmäen Kiinteistöt Oy	3 030		6.0	18.18	18.18		
Polar Corporation	100 000		-	1.00	2.50		
Povarstock Oy	756		10.0	7.56	19.76		
Central Share Register of Finland Cooperative	4		-	-	0.28		
Tuko Oy	176 148		1.0	1.76	0.58		
Unitas Oy, series A	500 000		-	5.00	7.83		
Werner Söderström Oy, series B	1 503		-	0.08	0.14		
Sampo Insurance Company Ltd.	12 829		-	0.26	1.05		
Others					1.15		
Other shares, total					124.82		
Total					315.37		

Subsidiaries' holdings	Number	Proportion of votes %	Holding %	Par value FIM million	Book value FIM million	Net profit FIM million	Equity FIM million
Shares in subsidiaries							
Bullworker Myynti Oy	3	100.0	100.0	0.02	0.02	0.0	0.0
Oy Concert Hall Society Ab	10	100.0	100.0	-	-	0.0	0.0
Shares in subsidiaries, total				0.02	0.0	0.0	0.0
Other shares							
Arabian Kiinteistö Oy	2 305		21.0	0.04	7.55		
Arabian Kiinteistö Oy, new	1 136		12.8	0.02	2.31		
Arabian Pienteollisuustalo Oy	1 590		12.0	0.01	5.92		
Orion Corporation	3 222		-	0.02	0.20		
Helsinki Telephone Company	56		-	-	0.53		
Sampo Insurance Company Ltd.	518		-	-	0.13		
As. Oy Rukantykky	110		7.0	-	0.76		
Others					0.47		
Other shares, total					17.86		
Total					17.88		

Notes to the financial statements

11 Long-term investment in subsidiaries by parent company

FIM million	Parent company 1994	1993
Shares	**190.5**	186.1
Loan receivables	**22.0**	22.0
Total	**212.5**	208.1

12 Receivables

Receivables falling due in one year or more

FIM million	Group 1994	1993	Parent company 1994	1993
Loan receivables	**12.1**	13.3	**12.1**	13.3
Other receivables	**26.7**	15.7	**21.4**	9.4
Total	**38.8**	29.0	**33.5**	22.7

13 Receivables and debts from Group companies

FIM million	Parent company 1994	1993
Trade receivables	**0.0**	0.1
Loan receivables	**124.8**	52.2
Deferred assets	**0.0**	6.4
Other current liabilities	**113.1**	42.9

14 Receivables from members of the Boards of Directors and Managing Directors

The Managing Directors and members of the Boards of Directors of Group companies have been granted loans in a total amount of FIM 3.0 million (FIM 3.5 million in 1993).
The loan periods range from 5 to 15 years and the interest rate is pegged to the Bank of Finland base rate.

15 Difference between cost and market value of current assets, bonds and other promissory notes

FIM million	Group 1994	1993	Parent company 1994	1993
Market value Dec. 31	**322.7**	387.9	**322.7**	387.9
Book value Dec. 31	**319.2**	371.6	**319.2**	371.6
Difference	**3.5**	16.3	**3.5**	16.3

16 Changes in equity

FIM million	Group 1994	1993	Parent company 1994	1993
Share capital				
Series A shares Jan.1	**165.8**	164.1	**165.8**	164.1
Targeted issue 1993		1.7		1.7
Series A shares Dec.31	**165.8**	165.8	**165.8**	165.8
Series B shares Jan.1	**26.4**	24.3	**26.4**	24.3
Targeted issue 1993		2.1		2.1
Bonus issue 1994	**96.1**		**96.1**	
Series B shares Dec.31	**122.5**	26.4	**122.5**	26.4
Share capital, total	**288.3**	192.2	**288.3**	192.2
Reserve fund Jan.1	**456.4**	430.2	**456.4**	430.2
Targeted issue 1993		26.2		26.2
Bonus issue 1994	**-96.1**		**-96.1**	
Reserve fund Dec.31	**360.4**	456.5	**360.4**	456.5
Revaluation fund Jan.1	**140.0**	140.0	**140.0**	140.0
Revaluation fund Dec.31	**140.0**	140.0	**140.0**	140.0
Restricted equity, total	**788.7**	788.7	**788.7**	788.7
Contingency fund Jan.1	**260.0**	260.0	**260.0**	260.0
Contingency fund Dec.31	**260.0**	260.0	**260.0**	260.0

FIM million	Group 1994	Group 1993	Parent company 1994	Parent company 1993
Other distributable equity Jan.1	**120.0**	65.8	**107.2**	84.7
Distribution of profit	**-58.0**	-47.4	**-58.0**	-47.4
Net profit for the financial year	**178.6**	101.6	**91.4**	69.8
Other distributable equity Dec.31	**240.6**	120.0	**140.9**	107.2
Other distributable equity, total	**500.7**	380.0	**400.7**	367.2
Total equity	**1 289.4**	1 168.7	**1 189.3**	1 155.9

17 Share capital, December 31, 1994

Par value, FIM 20	Parent company shares
Series A shares (ten votes each)	8 289 631
Series B shares (one vote each)	6 124 979
Total	14 414 610

18 Untaxed reserves

According to a 25% tax rate, the deferred tax liability on voluntary reserves and depreciation in excess of plan in the Consolidated Balance Sheet was FIM 154.1 million as at December 31, 1994 and FIM 153.5 million as at December 31, 1993.

19 Bonds with warrants

The 1987 issue of bonds with warrants was paid back on November 1, 1993, in accordance with the terms and conditions of the issue. In 1994 a FIM 1.5 million issue of bonds with warrants, directed to the Group management, was floated, which according to the terms and conditions of the issue provides for a bullet payment on April 12, 1998. Annual interest which is one percentage point under the 12-month Helibor interest rate quoted by the Bank of Finland will be paid on the loan. The warrants attaching to the bond issue entitle their holders to subscribe Series B shares as follows: 90,000 shares from January 2 to October 31, 1996 at a price of FIM 213.34 each; 90,000 shares from January 2 to October 31, 1997 at a price of FIM 226.67 each; and 90,000 shares from January 2 to April 12, 1998, at a price of FIM 240.00 each.

20 Loans with maturities longer than five years

FIM million	Group 1994	Group 1993	Parent company 1994	Parent company 1993
Pension loans	**224.8**	203.4	**203.7**	185.2

21 Other short-term loans

Other current liabilities included FIM 105.2 million of interest-bearing borrowed capital in 1994 and a corresponding amount of FIM 50.0 million in 1993

22 Pledges and mortgages given as security for debts; guarantees, contingent liabilities

FIM million	Group 1994	Group 1993	Parent company 1994	Parent company 1993
For loans of the company				
Mortgages on land and buildings	**327.0**	287.0	**295.5**	265.8
For liabilities of a Group company				
Mortgages on land and buildings			**31.5**	21.2
Guarantees			**32.9**	44.4
Pledges	**0.3**	0.3		
On behalf of others				
Guarantees	**1.0**	1.0	**1.0**	1.0
Other contingent liabilities				
Leasing commitments[1]	**1.5**	1.3	**1.5**	1.3
Other commitments	**5.0**	0.7	**5.0**	0.7
Total				
Mortgages on land and buildings	**327.0**	287.0	**327.0**	287.0
Guarantees	**1.0**	1.0	**33.9**	45.4
Pledges	**0.3**	0.3		
Other commitments	**6.5**	2.0	**6.5**	2.0
Total	**334.8**	290.3	**367.4**	334.4

[1] Leasing commitments from 1996 onward total FIM 2.2 million.

23 Pension liability

The pension liability of Group companies is insured with external pension insurance companies and is fully covered.

Proposal for the distribution of parent company profit

According to the consolidated balance sheet, the distributable equity totalled FIM 500.7 million on December 31, 1994.

The parent company distributable equity totalled FIM 400.7 million.

According to the parent company balance sheet of December 31, 1994 the following amounts are at the disposal of the Annual General Meeting:

- retained earnings from previous years	49,256,916.62
- profit for the fiscal year	91,413,788.30
	140,670,704.92

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

- 30 % dividend, i.e. FIM 6 per share	86,487,660.00
- reserved for benevolent purposes	300,000.00
- carried over on the profit account	53,883,044.92
	140,670,704.92

Helsinki, March 14, 1995

BOARD OF DIRECTORS

Carl Olof Tallgren

Erkki Etola

Maija-Liisa Etola

Ari Heiniö

Lasse Koivu

Pertti Niemistö

Kurt Stenvall

Christoffer Taxell

Henry Wiklund

Auditors' report

To the shareholders of OY Stockmann AB
We have audited the accounting records and the financial statements, as well as the administration by the Board of Directors and the Managing Director of OY Stockmann AB for the year ended 31 December 1994. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements and cash flow statements, have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and the company's administration.

We have conducted our audit in accordance with Finnish Generally Accepted Auditing Standards. Those standards require that we plan and perform the audit in order to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration has been to examine that the Board of Directors and the Managing Director have complied with the rules of the Finnish Companies Act.

In our opinion, the financial statements have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and the parent company result of operations, as well as of the financial position. The financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal made by the Board of Directors on how to deal with the retained earnings is in compliance with the Finnish Companies Act.

We have acquainted ourselves with the interim report made public by the company during the year. It is our understanding that the interim report has been prepared in accordance with the rules and regulations governing the preparation of such reports in Finland.

Helsinki, 21 March 1995

Eric Haglund, Authorized Public Accountant

Gunnar Antell

Juhani Kolehmainen

Thomas Stenius

Share capital and shares

The share capital of OY Stockmann AB is divided into Series A and Series B shares. Series A shares carry ten votes and Series B shares one vote. The shares of both series entitle their holders to an equal dividend.

Share capital

In the spring 1994 Stockmann's share capital was increased through a bonus issue to FIM 288 292 200 from FIM 192 194 800 by transferring FIM 96 097 400 from the reserve fund to shareholders' equity. Two old Series A and/or Series B shares entitled their holders to subscribe one new Series B share free of charge. The share capital increase was registered in the Trade Register on 8 June 1994.

The company's shares were transferred to the electronic book-entry registration system in September 1994. At the closing of the books, 99.07 per cent of the company's shares outstanding had been registered in the book-entry system.

There were approximately 12 000 shareholders as at 28 February 1995. The number of shareholders diminished owing to the transfer to the book-entry system. According to the practice of keeping the old share register, a former shareholder was deleted only if a new shareholder registered the shares. In addition, the same person could appear in the register several times.

The company's Board of Directors does not have existing authorizations to increase the share capital or to float issues of convertible bonds or bonds with warrants.

Share capital of OY Stockmann AB at 31 December 1994
Series A 8 289 631 shares at FIM 20 each = FIM 165 792 620
Series B 6 124 979 shares at FIM 20 each = FIM 122 499 580
Total 14 414 610 shares at FIM 20 each = FIM 288 292 200

Share trading

The share quotation rose by 16.7 per cent over the financial year, as measured by the Helsinki Stock Exchange general index. The index for Other services rose by 23.2 per cent.

The last traded price of Stockmann's Series A shares during the financial year was FIM 242 million, a share issue-adjusted increase of 45 per cent from the beginning of the financial year. The last sale of Series B shares was made at a price of FIM 226, which on a share issue-adjusted basis is 41 per cent more than at the beginning of the financial year.

The average share issue adjusted price during the year was FIM 236 for Series A shares and FIM 209 for Series B shares.

Share turnover

The following numbers of OY Stockmann AB shares and subscription rights were sold on the Helsinki Stock Exchange during the financial year:

	number	% of respective total
Shares		
Series A	1 085 863	13.1
Series B	1 912 355	31.2
Total	2 998 218	20.8
Subscription rights		
Series B	215 546	1.5

The total value of the shares and warrants traded was FIM 756.6 million.

The market capitalization of the company as at 31 December 1994 was FIM 3 390 million, calculated according to the buying rate of the shares.

Share issues 1990 - 1994

1993

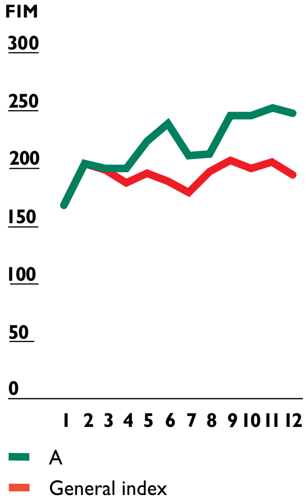
Directed issue: Retailer-owned Wholesale Corporation Kesko subscribed 87 000 Series A shares at a price of FIM 172.48 each and 104 000 Series B shares at a price of FIM 144.36 each.

1994

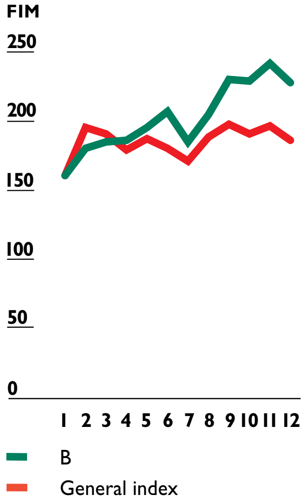
The company floated a FIM 1.5 million issue of bonds with warrants consisting of 1 500 bonds having a nominal value of FIM 1 000 each and each carrying three warrants, A, B and C. The warrants entitle their holders to subscribe Stockmann Series B shares as follows: with warrant A, 60 shares from 2 January to 31 October 1996 at a share issue-adjusted subscription price of FIM 213.34; with warrant B, 60 shares from 2 January to 31 October 1997 at a share issue-adjusted subscription price of FIM 226.67; and with warrant C, 60 shares from 2 January to 12 April 1998 at a share issue adjusted subscription price of FIM 240.00. Annual interest payable on the loan is one percentage point below the 12-month Helibor interest rate quoted by the Bank of Finland. The subscription period for the issue was from 12 April 1994 to 13 May 1994 and it was fully subscribed. The maturity is 4 years. The bonds will be redeemed on 12 April 1998.

Bonus issue. One new Series B share free of charge for two old Series A and/or Series B shares.

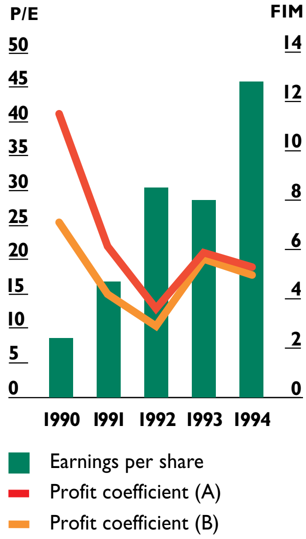
SERIES A SHARE PRICE TREND 1994



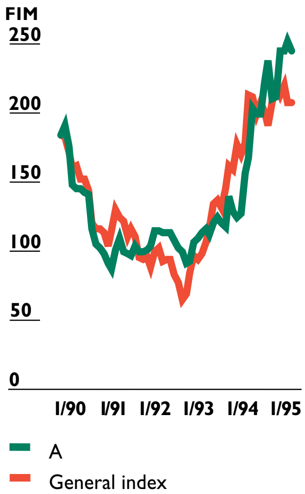
SERIES B SHARE PRICE TREND 1994



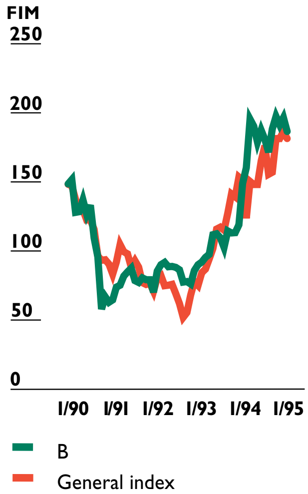
EARNINGS PER SHARE (adjusted for share issues)



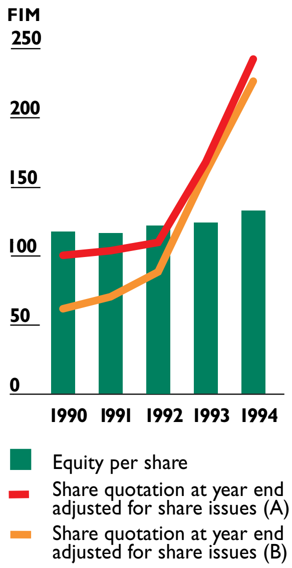
SERIES A SHARE PRICE TREND 1990-1994 (adjusted for share issues)



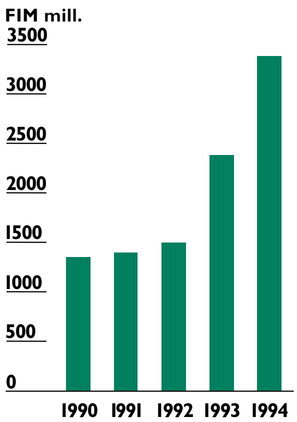
SERIES B SHARE PRICE TREND 1990-1994 (adjusted for share issues)



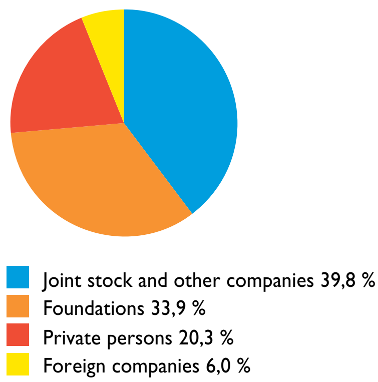
EQUITY PER SHARE AND SHARE PRICE 1990-1994



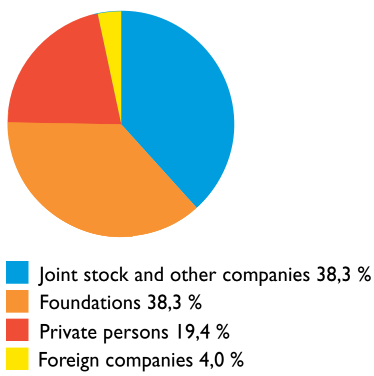
MARKET CAPITALIZATION



DISTRIBUTION OF SHARES



DISTRIBUTION OF VOTES



Shareholders on February 28, 1995

Shareholder groups

	Shareholders No	Shareholders %	Shares No	Shares %
Private persons	10 933	94.5	2 900 650	20.3
Joint stock and other companies	396	3.4	5 704 324	39.8
Foundations and other corporate bodies	179	1.5	4 855 829	33.9
Foreign companies and corporate bodies	60	0.5	856 304	6.0
Total	11 568	100.0	14 317 107	100.0

Shareholders by number of shares owned

Number of shares	Shareholders No	Shareholders %	Shares No	Shares %
1 - 100	5 568	48.1	248 312	1.7
101 - 1000	5 426	46.9	1 430 376	10.0
1001 - 10 000	490	4.2	1 277 283	8.9
10 001 - 100 000	58	0.5	1 577 020	11.0
100 001 -	26	0.2	9 784 116	68.3
Total	11 568	100.0	14 317 107	100.0

Major shareholders

	Shares %	Votes %
1. The Society for Promotion of the Arts	12.62	14.29
2. Etola companies	9.27	10.63
3. Stiftelsen för Åbo Akademi (foundation)	4.88	5.49
4. Sampo Insurance Company Limited + Industrial Insurance	3.75	5.16
5. Niemistö Group	4.49	5.10
6. Pension Varma Mutual Insurance Company	3.80	4.87
7. The Society of Swedish Literature in Finland	3.78	4.82
8. Union Bank of Finland Group	4.16	4.06
9. Jenny ja Antti Wihurin rahasto (fund)	2.48	2.82
10. Wilhelm och Else Stockmanns stiftelse (foundation)	1.75	2.46

The Board members, the Managing Director and the Deputy Managing Directors own a total of 31 469 shares carrying 0.23% of the total voting rights as at 31 December 1994.

Key figures and per share data

Calculation principles recommended by the Helsinki Stock Exchange were applied in computing the key figures that illustrate Stockmann's financial performance and status. Planned depreciation figures were used for depreciation on fixed assets in the income statement, based on the original cost values and economically useful lives of the items concerned. The figures illustrating the application of capital are based on balance sheet values.

Key figures

	1990	1991	1992	1993	**1994**
Return on equity	2.1	4.0	7.2	6.5	**10.0**
Return on investment	5.5	6.5	9.5	9.2	**12.7**
Quick Ratio	2.0	2.3	1.8	1.7	**1.6**
Current ratio	3.0	3.3	2.7	2.6	**2.5**
Equity ratio	64.2	64.7	65.5	67.1	**65.7**
Debt service ratio	1.0	2.5	3.1	1.2	**5.4**

Per share data

	1990	1991	1992	1993	**1994***
Earnings per share[1], FIM	2.42	4.70	8.53	8.01	**12.79**
Equity per share, FIM	117.11	116.02	121.59	123.66	**132.23**
Share quotation on December 31[1], FIM					
- Series A	100.00	103.33	109.33	167.33	**242.00**
- Series B	61.33	70.00	88.00	160.00	**226.00**
Dividend per share[1], FIM	2.67	3.33	3.33	4.00	**6.00****
Effective yield of shares, %					
- Series A	2.7	3.2	3.1	2.4	**2.5****
- Series B	4.4	4.8	3.8	2.5	**2.7****
P/E ratio for shares					
- Series A	41.2	22.0	12.8	20.9	**18.9**
- Series B	25.3	14.9	10.3	20.0	**17.7**
Market capitalization December 31, 1995	1 351.2	1 402.8	1 504.9	2 397.5	**3 390.3**

[1] adjusted for share issues

* dilution effect of bonds with warrants has been taken into account in 1994 figures

** Board proposal to the Annual General Meeting

Definitions for key indicators

Return on equity $= 100 \times \dfrac{\text{profit before extraordinary items - taxes for the period}}{\text{shareholders' equity + untaxed reserves (average)}}$

Return on investment $= 100 \times \dfrac{\text{profit before extraordinary items + interest paid and other financial expenses}}{\text{total assets - non-interest bearing liabilities (average)}}$

Quick ratio $= \dfrac{\text{financial assets}}{\text{short-term liabilities}}$

Current ratio $= \dfrac{\text{current assets + financial assets}}{\text{short-term liabilities}}$

Equity ratio $= 100 \times \dfrac{\text{shareholders' equity + untaxed reserves}}{\text{total assets - advance payments received}}$

Debt service ratio $= \dfrac{\text{profit before extraordinary items + depreciation + financial expenses - taxes}}{\text{financial expenses + instalments on long term loans}}$

Earnings per share $= \dfrac{\text{profit before extraordinary items - taxes for the period}}{\text{average number of shares, adjusted for share issues}}$

Equity per share $= \dfrac{\text{shareholders' equity + untaxed reserves}}{\text{number of shares at the balance sheet date, adjusted for share issues}}$

Share quotation on Dec. 31, adjusted for share issues = share quotation at the balance sheet date, adjusted for share issues

Dividend per share = dividend per share, adjusted for share issues

Effective yield of shares $= 100 \times \dfrac{\text{dividend per share, adjusted for share issues}}{\text{share quotation on December 31, adjusted for share issues}}$

P/E ratio for shares $= \dfrac{\text{share quotation on December 31, adjusted for share issues}}{\text{earnings per share}}$

Market capitalization = number of shares multiplied by quotation for respective share type on balance sheet date

Directory

MANAGEMENT
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DEPARTMENT STORE DIVISION

Management committee
HANNU PENTTILÄ, Director
HENRI BUCHT,
Helsinki department store
LARS EKLUNDH,
Itäkeskus department store
ANJA TAINA,
Tapiola department store
SEPPO RÖNKKÖNEN,
Tampere department store
JUHA OKSANEN,
Turku department store
LEENA LASSILA, buying; fashion
KARL W. STOCKMANN,
buying; other goods,
International operations
MAARET KUISMA, marketing
RISTO PENTTILÄ,
materials management
LEA NEVALAINEN, administration
CAROLA NYMARK, training
EILA TERMONEN, data management

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and +358-0-121 5299

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fax +358-0-121 2269

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fax +358-21-265 6714

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fax +358-0-121 5250

Moscow Office and Business to Business Service
Prospect Mira 176 Moscow
tel. and fax 7-095-286 0292

Stores
Moscow: Danilov, Dolgoruk, Leninski, Zacepskij Val

St. Petersburg,
Tallinn

AUTOMOTIVE SALES DIVISION

Management committee
AARNO POHTOLA, Director
FREDRIK EKLUNDH, Ford
JYRKI JAALA, Nissan
MARKKU LÖNNQVIST,
VW, Audi, Seat
KALEVI TIKKA, trade-in vehicles
EERO LEMBERG, Herttoniemi/service
PEKKA VAISTO, Pitäjänmäki/service

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Stockmann Auto (Ford sales)
Herttoniemi and Pitäjänmäki

Herttoniemen Auto Stockmann
(Nissan and Chrysler)
Herttoniemi

VV-Auto Stockmann
(VW, Audi, Seat)
Espoo, Herttoniemi, Pitäjänmäki, Vantaa

SESTO

Management committee
RISTO KIISKI, Director
OLAVI LEHTINEN, marketing, buying
EERO LESTELÄ, field
ARJA RISSANEN, administration

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Stores
Annankatu, Eino Leinon katu, Forum, Herttoniemi, Kauniainen, Lauttasaari, Lähderanta, Mellunmäki, Olari, Puistola, Reimarla, Tammisto, Tehtaankatu, Tikkurila

HOBBY HALL

Management committee
VEIKKO SYVÄNEN, Director
YRJÖ STENBERG, finance
SEPPO JURVAINEN,
data management
PENTTI TIISTOLA,
materials management

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Vantaa Valimotie

SEPPÄLÄ

Management committee
MARJATTA BJÖRN, Director
AKIF BESHAR, field, administration
MERJA ILMAKUNNAS,
children's wear, cosmetics
ANJA RISSANEN, ladies' wear
TIMO SINKKONEN, men's wear

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telex 121 940 style fi

Stores
Espoo, Forssa, Hamina, Helsinki, Hollola, Hyvinkää, Hämeenlinna, Iisalmi, Imatra, Joensuu, Jyväskylä, Jämsä, Järvenpää, Kajaani, Kangasala, Kankaanpää, Kauhajoki, Kemi, Kempele, Kerava, Kokkola, Kotka, Kouvola, Kuopio, Kuusamo, Lahti, Lappeenranta, Laukaa, Lieksa, Lohja, Mikkeli, Nokia, Oulu, Pieksämäki, Pietarsaari, Pori, Porvoo, Raahe, Raisio, Rauma, Riihimäki, Rovaniemi, Salo, Savonlinna, Seinäjoki, Tammisaari, Tampere, Tornio, Turku, Uusikaupunki, Vaasa, Valkeakoski, Vammala, Vantaa, Varkaus

ACADEMIC BOOKSTORE

Management committee
DORIS STOCKMANN, Director
STIG-BJÖRN NYBERG,
retail book sales, Helsinki
KARIN VON KOSKULL,
institutional sales
JOUNI HAANPÄÄ, stationery,
office supplies, microcomputers
KARI LITMANEN, office
RAIJA RÖNKKÖNEN,
data management

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