ANNUAL REPORT 1996

STOCKMANN

ANNUAL REPORT FOR 1996, THE 135TH YEAR OF OPERATIONS

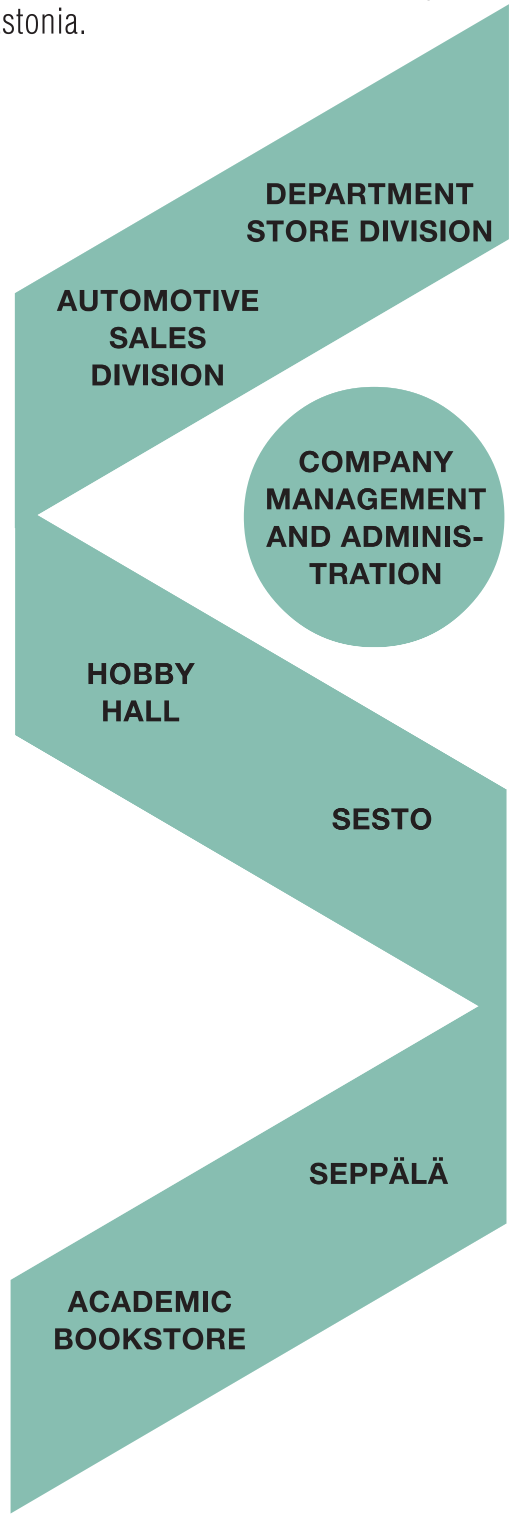
CONTENTS

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%.

Stockmann's Loyal Customer program has been Finland's most succesful customer program. Stockmann's Loyal Customer card celebrated its 10th birthday in 1996.

Stockmann

Stockmann is a Finnish listed company which was established in 1862 and is engaged in the retail trade. It now has about 11 000 shareholders. Customer satisfaction is the central objective of Stockmann's trading in all its areas of business. Stockmann's six commercial units are the Department Store Division, the Automotive Sales Division, Hobby Hall, which is specialized in mail order sales, Sesto, which operates in the supermarket trade, Seppälä, a chain of clothes stores, and Academic Bookstore. Stockmann operates in Finland, Russia and Estonia.



Stockmann's core values

PROFIT ORIENTATION

We are in business to make money; all our operations should support this goal. Healthy earnings mean a good return for investors and latitude of movement and risk-taking ability for the company. For good people who are committed to our common goals, it means a highly respected job and an opportunity for self-development.

CUSTOMER ORIENTATION

We earn money only by offering benefits which the customer perceives as real and better than those of our competitors. The sum total of these benefits is high customer satisfaction and loyalty. Competitive pricing, reliable quality and good customer service are vital elements in achieving these goals.

EFFICIENCY

By performing better than our competitors, we boost sales, secure high cost-effectiveness and use capital efficiently.

COMMITMENT

In all our activities, success calls for an understanding of the importance of Stockmann's company-wide success factors and the role of our own unit in achieving them as well as a commitment to the goals we all share together.

RESPECT FOR OUR PEOPLE

We respect and value people's capacity for commitment, taking calculated risks and producing results. We reward success.

Stockmann in 1996

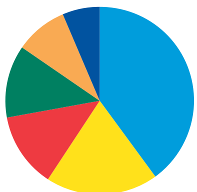
KEY FIGURES

		1992	1993	1994	1995	**1996**
Sales	FIM mill.	3 939.5	4 463.8	5 486.1	6 249.1	**7 420.2**
Turnover	FIM mill.	3 282.1	3 712.6	4 556.6	5 213.8	**6 164.5**
Staff costs	FIM mill.	568.2	620.2	656.6	762.8	**850.2**
Staff costs of turnover	%	17.3	16.7	14.4	14.6	**13.8**
Profit from operations before depreciation	FIM mill.	177.1	192.1	302.1	340.4	**403.8**
Operational result [1]	FIM mill.	147.2	160.2	246.9	280.3	**315.9**
Investments	FIM mill.	144.7	185.2	132.9	273.7	**333.2**
Investments of turnover	%	4.4	5.0	2.9	5.2	**5.4**
Total assets	FIM mill.	2 624.1	2 657.6	2 899.7	3 176.2	**3 645.9**
Capital and reserves	FIM mill.	188.4	192.2	288.3	288.3	**288.6**
Market capitalisation Dec. 31	FIM mill.	1 504.9	2 397.5	3 390.3	3 446.2	**4 009.6**
Dividend paid	FIM mill.	47.1	57.7	86.5	100.9	**108.2** *
Dividend per share, adjusted for share issues	FIM	3.33	4.00	6.00	7.00	**7.50** *
Earnings per share, adjusted for share issues	FIM	8.53	8.01	12.58	13.95	**14.94****
Equity ratio	%	65.5	67.1	65.7	63.6	**58.8**
Return on investment	%	9.5	9.2	12.7	13.2	**13.3**

[1] Profit before extraordinary items, voluntary provisions and income taxes
* Board proposal to AGM
** The dilution effect of bonds with warrants has been taken into account

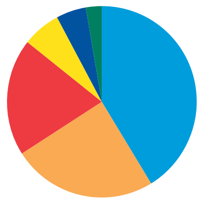
DISTRIBUTION OF SALES AND COMMERCIAL PROFIT

Sales



- 40.0 % Department Store Division
- 19.3 % Automotive Sales Division
- 12.9 % Hobby Hall
- 12.5 % Sesto
- 9.0 % Seppälä
- 6.4 % Academic Bookstore

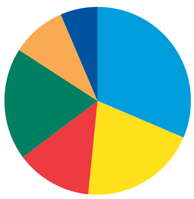
Distribution of commercial profit*



- 41.3 % Department Store Division
- 24.6 % Seppälä
- 19.8 % Hobby Hall
- 6.5 % Automotive Sales Division
- 5.1 % Academic Bookstore
- 2.7 % Sesto

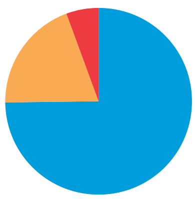
* operating profit

Sales by sector



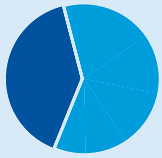
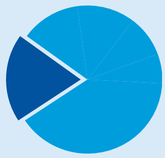
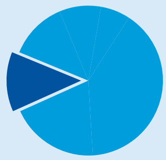
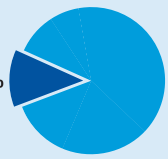
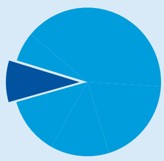
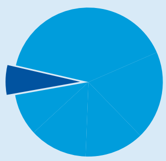
- 31.4 % Fashion
- 20.2 % Food
- 13.1 % Home
- 19.4 % Motor vehicles
- 9.4 % Leisure
- 6.5 % Books, Publications, Stationery

Sources of income



- 74.8 % Commercial units
- 19.6 % Real estate
- 5.6 % Net financial profit

Introduction of commercial units April 1, 1997

Units	Services	Locations	Share of Stockmann's sales in 1996
DEPARTMENT STORE DIVISION Hannu Penttilä	Offers customers a knowledgeable shopping environment and good service in congenial atmosphere.	5 department stores in Finland Department store in Tallinn, Estonia 5 stores in Moscow and St Petersburg	FIM 2 955 million  40 %
AUTOMOTIVE SALES DIVISION Aarno Pohtola	Offers a wide range of high-quality cars featuring top makes and models. The importance of dependable quality and customer service is highlighted in the servicing and spareparts operations.	Vehicles sold are Ford, Nissan, Chrysler, Jeep, Volkswagen, Audi and Seat as well as a wide range of used cars at 7 locations in the Greater Helsinki area A Ford dealership in Turku.	FIM 1 430 million  19 %
HOBBY HALL Veikko Syvänen	Offers a fast and trouble-free alternative for buying clothes and household products at reasonable prices.	Finland's largest mail-order company 2 stores in the Greater Helsinki area Estonia's largest mail order company 1 store in Tallinn	FIM 954 million  13 %
SESTO Lasse Lehtinen	Offers good and reasonably priced convenience and utility goods.	13 convenience goods markets in the Greater Helsinki area 4 Etujätti hypermarkets in Vantaa, Espoo, Turku and Tampere	FIM 929 million  13 %
SEPPÄLÄ Marjatta Björn	Sells youthful clothes and cosmetics at reasonable prices.	Some 90 clothes stores in Finland A store in Tallinn	FIM 670 million  9 %
ACADEMIC BOOKSTORE Doris Stockmann	Offers wide assortments of books, magazines and newspapers as well as computer and stationery products.	10 bookstores in Finland's university and college towns	FIM 476 million  6 %

Managing Director's review

135 year-old Stockmann is going through a period of strong growth. This is the fourth consecutive year in which our sales have notched up by another billion marks, reaching FIM 7.4 billion in 1996. The current year will be no exception in this respect.

The performance of the various units is described in the Board Report on Operations and in detail in the reviews of the commercial units. In the present context, I only wish to express my satisfaction with the trend shown by all our units. This also applies to those units whose results were not able to show growth this time owing to the intensive establishment of new stores and big outlays on marketing. Of the many bright spots, the successful reorganization of the Department Store Division's operations in Russia deserves a special mention.

Last year the sales growth was 18.7 per cent or FIM 1 171 million. Half of it came from new units. The other half was due to active sales efforts, which once again means that the comparable growth rate was double that of the retail sector on average.

Growth does not just happen

We have been convinced of the strategic importance of gaining market shares both during the recessionary years in the early 1990s and particularly now that an upswing is under way. We can feel well deserved satisfaction at achieving this objective once again.

Yet we have not been able to reach our growth free of charge. The continuous outlays on boosting sales have shown up as a weakening of our gross profit on sales, higher marketing costs and bigger depreciation. More money than before has been tied up in working capital and, partly for this reason, our net income from treasury operations has diminished. Add to this the fact that in recent years our growth has been directed most energetically at business areas having a lower than average sales margin, and one might get the idea that the growth in our profitability has been modest compared with the growth in sales. However this has not been the case.

For Stockmann's management, a more important factor than relative profitability has been that year after year we have succeeded not only in growing but in earning more money and - even after depreciation - in improving our net profit in terms of marks earned. Concurrently, the return on investment has grown and our equity ratio has remained high. Last year was not an exception in these respects. Our operational result increased by FIM 35.6 million to 315.9 million or 12.7 per cent.

Future success must first be forged

Without belief in our business ideas and actions demonstrating that they work, our efforts to achieve growth would not have been possible. The capital expenditures made over the past decade to develop our company have been on the order of FIM 2 200 million. Of this amount, a good quarter - FIM 600 million - has been invested during the past two years. Our working capital has grown by nearly FIM 700 million. Dividends and taxes have been paid to the tune of more than FIM 900 million. Examined from the standpoint of cash flow, a total of FIM 3 800 million has gone the other way. Since during the same period our income has amounted to FIM 2 900 million, cash flow - the difference of these two figures - has been FIM 900 million negative. We have been able to finance roughly half of this from the company's own funds. Outside money has been needed to finance the other half.

"Warm thanks to our shareholders, partners in cooperation and our competent Stockmann team for their positive contribution to the company's good result."

Stockmann's buoyant growth

Growth potential is economic value added

Although more money has been spent than earned, it has not been wasted anywhere. Quite the contrary. We have built future earnings potential, future cash flow. All the value added that has been generated for the company through marketing outlays and capital expenditures does not, of course, show up on the bottom line of the profit and loss account. The economic value added of the outlays and capital expenditures therefore initially represents only the creation of growth and earnings potential. A good example of this is the extensions to the department stores and the new stores whose contributions reach far into the future. Another example of this kind of growth potential is the hundreds of thousands of new Loyal Customers who have been gained thanks to the department stores' loyal customer campaign that was launched a decade ago. Outlays on improving the personnel's know-how, commitment and will to win are also an important part of the sum total effect of many different factors that will decide how Stockmann performs in the future.

Positive prospects

Economic growth appears set to continue its favourable growth in Finland in the near future, and this will also have a positive impact on the operating environment for retailers. Thanks to the growth potential we have built, we are well poised to reap our part of this positive growth. Nevertheless it is worth bearing in mind when thinking about the future that many of the problems of our national economy are still unsolved.

I conclude my survey by expressing my conviction - in a way that has become a tradition by now - that this year too we shall generate reasonably good earnings.

Helsinki, February 12, 1997

Ari Heiniö
Managing Director

Trend in the value of Stockmann's sales 1995/1996

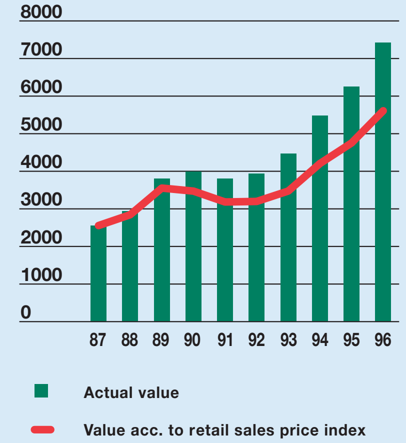
1995/1996	Change %
Stockmann, total	18.7
Department Store Division in Finland	9.1
Automotive Sales Division	43.5
Hobby Hall	17.4
Sesto	29.9
Seppälä	9.4
Academic Bookstore	6.9

Trend in the value of retail sales (exclusive of VAT) in Finland* 1995/1996

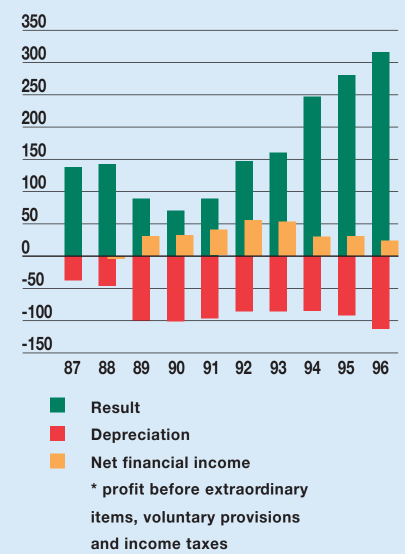
	Change %
Retail trade, total	4.8
Department stores	4.2
Vehicles, spare parts	13.1
Household appliances, furnishing	6.8
Supermarkets	0.0
Textile and garment	1.7
Books and office supplies	1.3

* source: Statistics Finland

Sales 1987-1996, FIM million



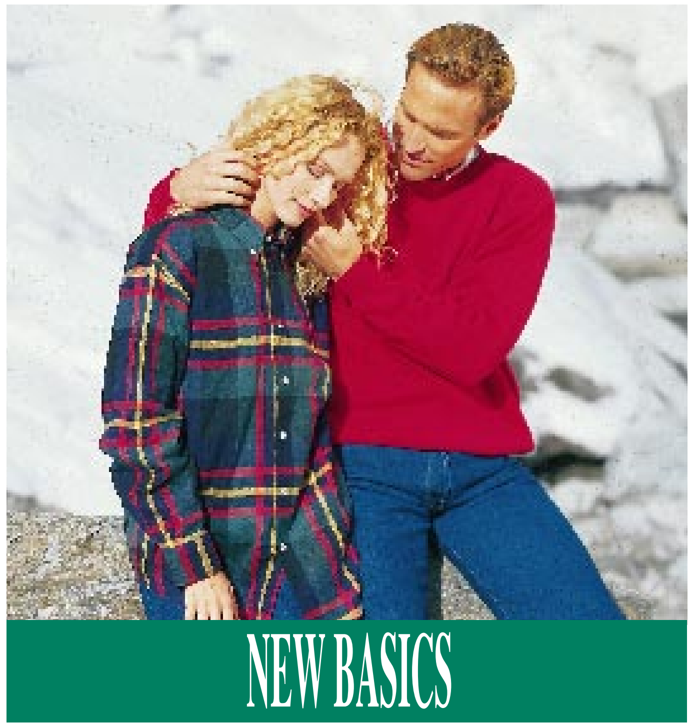
Operational Result* 1987-1996, FIM million



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 operations abroad include the department store in Tallinn, which was opened in April 1996, four stores in Moscow and one in St. Petersburg.

The American dream became a reality when NEW YORK STORIES continued Stockmann's successful country campaigns.

Department Store Division		1996	1995	1994
Sales	FIM mill.	**2 955.0**	2 661.8	2 479.4
Proportion of Group Sales	%	**39.8**	42.6	45.2
Profit from operations				
before depreciation	FIM mill.	**172.2**	119.2	110.0
Operating profit	FIM mill.	**118.7**	70.7	67.4
Return on investment	%	**18.0**	11.8	11.1
Investments	FIM mill.	**82.1**	93.6	59.8
Staff Dec. 31		**4 058**	3 903	3 602



The New Basics clothing, footwear and accessories are influenced by American outdoor fashions. The clothing is casual and can be easily mixed and matched to make different outfits. Stockmann's new label was launched in connection with the NEW YORK STORIES campaign.

Department Stores Division

The Department Store Division's sales grew and its net profit improved significantly during 1996. Sales inclusive of VAT were FIM 2955.0 million. Turnover was FIM 2 455.9 million, up 10.6 per cent on the previous year. Turnover in the department stores in Finland grew by FIM 167.2 million, or 8.6 per cent. International operations had an increase in turnover of FIM 68.4 million, or 24.4 per cent.

The growth in Finland is comparable with the previous year, but the growth in turnover within International operations is attributable in its entirety to the sales of the department store that was opened in Tallinn in April. Owing to intensive restructuring measures, aggregate sales of the stores in Russia fell slightly short of the previous year's level.

Because of the strong growth in sales and effective cost management, the Department Store Division's profit from operations before depreciation and operating profit improved significantly. The net profit is clearly the best ever from department store operations. A considerable part of the improved earnings was achieved by virtue of the restructuring programme within International operations and, as a consequence of carrying it through, the loss-making profit from the International operations before depreciation a year ago now moved solidly into the black.

The net profit clearly best ever

A year of changes

The management organization of the department store division was overhauled in March. The objective is to operate in closer unison as a department store chain that is supported by efficiently managed purchasing, marketing and administration functions. The organizations of the five department stores in Finland were grouped together under a common sales management. During the spring organizational overhauls were also carried out at all the department stores in Finland with the aim of achieving a more efficient control of related functions, a better understanding of the central business processes and thereby better customer service.

It was decided to combine the food purchasing organizations of the department stores and Sesto as from the beginning of 1997.

There was closer purchasing cooperation with the department stores belonging to the European ACI organization, and in the autumn Stockmann together with four other department store companies established EBO (European Brands Organization B.W.) in the Netherlands to handle product development and purchasing of joint collections.

The department stores in Finland perform well

The department stores in Finland had sales inclusive of VAT of FIM 2 542.4 million, representing growth of 8.7 per cent. The number of customers rose by slightly less than 5 per cent. According to available information, all the department stores performed clearly better than their local competitors.

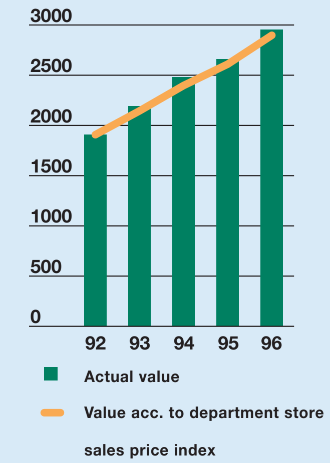
Sales by the concessions in the department stores also grew appreciably and totalled FIM 182.0 million.

The department stores in Finland came in substantially above their targets for sales and profit from operations before depreciation in spite of the keener competition in all the localities where they operate.

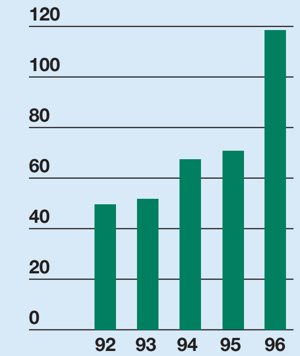
Although the overall sales trend was very good, the following merchandise areas stood out: One Way youth fashions (+18%), leisure goods (+15%), household goods

High-quality DKNY products from Donna Karan New York first became available in Finland during the NEW YORK STORIES campaign.

Sales by Department Store Division 1992-1996, FIM million



Operating profit by Department Store Division 1992-1996, FIM million



Department Store Divison

The delicatessen counter of the Tapiola department store draws customers. Foods from Stockmann's own gourmet kitchen are freshly prepared, ready-to-heat meals for busy people.

(+13%), women's fashion (+12%), footwear (+11%), sports (+11%), cosmetics (+10%) and food (+9%).

The department stores invest in the future

Major investments to ensure the future growth of operations were carried out or planned at all the department stores in Finland.

Construction works on the tunnel between the Forum car park and the department store including new retail space in conjunction with it were carried out at the Helsinki department store. The tunnel was opened and the retail space was put into use in March 1997. The department store's retail space grew by 2 000 square metres, reaching a total of 34 200 square metres.

The Beauty & Fitness World department was opened on the 7th floor of the Helsinki department store during the year. A gift shop was opened at the new Gateway Terminal at the Helsinki-Vantaa International Airport.

A town plan making possible a major extension to the department store in Tapiola was approved unanimously by the Espoo City Council in December. If the extension is completed on schedule in autumn 1998, the department store's retail sales area will grow from its present 6 700 square metres to about 10 500 square metres and 135 parking spaces will be added to the car park, bringing the total to 240 places. At the same time, in accordance with an agreement made with the City of Espoo, the company invested in enhancing the Sampokuja pedestrian precinct and will build a new light traffic bridge over the main road, Merituulentie.

The department stores are confident that the interior decorating sector will become increasingly popular. The Gluck pitcher family is a product of Hackman Designor, an important co-worker and supplier, and it represents today's industrial arts design.

At the Itäkeskus shopping centre, an agreement was reached concerning an extension, consisting of about 1 000 square metres to the second floor of the department store, into adjacent premises that will be vacated. The extension, which is to be carried out together with Academic Bookstore, will be put into use in the late spring 1997.

The department store in Turku signed an agreement according to which Academic Bookstore will move into premises to be vacated in the Hansa-kortteli shopping center, enabling the department store to expand into about 800 square metres of space that will be made available. This extension too will be completed during the spring and summer 1997.

Refurnishing of the household departments was seen to completion on the ground floor of the Tampere department store. The furnishings of the department store's first and second floors have now been renewed virtually in their entirety.

During the year an agreement was signed with Arctia Oy according to which Arctia will take over the management of the restaurant opened in the basement floor of the Helsinki department store as well as the customer cafeterias in Itäkeskus, Tapiola, Turku and Tampere. The personnel of the cafeterias will be transferred to Arctia's employ stage by stage.

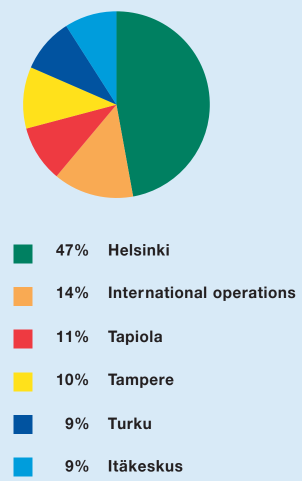
International operations return to profitability

International Operations had sales inclusive of tax of FIM 412.6 million. Sales were up 24.1 per cent on the year. Sales in Russia declined somewhat and were FIM 286.6 million. Sales in Tallinn nearly quadrupled and were FIM 126.0 milion. Sales in Tallinn comprise sales in the Hotel Viru centre, which were phased out during the first two months of the year, sales of the department store that was opened in April and sales of the store that was reopened in the Viru Centre under the Seppälä name in April.

The spiralling losses that have plagued International operations for two years now came to a halt in 1996. Major cuts were made in fixed operating costs. This meant a considerable reduction in the number of Finnish staff in Russia together with much closer cost monitoring within all functions. During the year we withdrew from subareas of business in which Stockmann has not had satisfactory competitiveness. The employment of capital was made more effective and stock turnover rates were improved.

The Helsinki department store had good success when it tried out the idea of filling the department store with Crazy Days products in a single night.

Sales by Department Store Division 1996



Sales by Department Store Division 1995-1996

FIM mill.	1996	1995	Change %
Helsinki	**1392.8**	1272.6	9.4
Tapiola	**315.0**	282.4	11.5
Itäkeskus	**267.3**	239.2	11.8
Tampere	**288.8**	278.8	3.6
Turku	**278.4**	256.3	8.6
Department stores in Finland	**2542.4**	2329.3	9.1
International operations	**412.6**	332.5	24.1
Total	**2955.0**	2661.8	11.0

The department store on Liivalaia street, Tallinn, was opened in April.
Tallinn's townsfolk have accepted Stockmann as their own. Increasing numbers of customers and a positive development in sales are the best proof of this.
The 200 parking spaces of the store turned out to be one of the pivotal competitive factors.

The most important event for International operations during the year was the successful opening of the department store in Tallinn at the beginning of April. The modern and full-fledged department store that has been built along Liivalaia Street is one of the major foreign investments in Estonia. Tallinn people have taken to the Stockmann store, as is demonstrated by the continuous growth in the numbers of patrons and the positive trend in sales.

In Russia sales contracted by 3.6 per cent on the year. This was due to tougher competition and the reorganization of operations, in which unprofitable product groups were discontinued during the year. The sales trend in a number of areas was positive, and food sales, for example, grew by 10 per cent on the previous year.

Our business operations are now clearly healthier than they were before. Gross profit on sales is higher and fixed costs on a same store basis are more than FIM 10 million less than they were a year earlier. Profit from operations before depreciation, which slipped into the red in 1994-95, rose solidly into the black during 1996.

Tallinn's mayor, Jaak Tamm, cut the ribbon at the opening ceremonies of the Tallinn department store on April 1, 1996.

The Helsinki Philharmonic played for the customers of the Helsinki department store in the Argos hall for two days last spring. The concerts, based on the orchestra's Scandinavian Rhapsody record, were very well attended.

Although it can be assumed that competition in both Russia and Estonia will get harder in coming years, our present International operations now have a clearly healthy structure. Over the longer term there is a pronounced need for new business locations, above all in Russia.

Marketing increased customer flows

The growth in the department stores' customer flows was maintained through active marketing, which was supported by bigger outlays than a year earlier. TV commercials were introduced as a new medium, which proved to be an excellent support for the Crazy Days campaign. The department store's own visual marketing was identified as one of the most important marketing tools.

The main campaign during the year was NEW YORK STORIES, which was launched in the autumn and drew customers through its timeliness and new content. The best-known brands were Calvin Klein, DKNY, Polo Sport, Dockers, Walt Disney and Nike. New Basics women's and men's clothes for a casual urban lifestyle were introduced and are available exclusively from Stockmann's. Good food and music created a congenial atmosphere in the department stores.

Crazy Days, which have established a tradition of record breaking, were repeated twice.

Loyal Customer marketing yielded excellent results. Whereas in February 1996 the 400 000th Loyal Customer received a bouquet of flowers, at the end of the year a whopping 468 000 card holders were on Stockmann's books. The strong loyalty is demonstrated by the trend in the volume of purchases by registered card holders. Loyal Customers account for a good half of the entire sales by the department stores in Finland. In the marketing of the International operations units, all the Finnish campaigns that were appropriate for the local markets were carried out using the same themes in Tallinn, Moscow and St Petersburg. The Stockmann Püsikliend Loyal Customer card for Estonians rapidly became a trump card in Tallinn.

Sales by merchandise sector 1996

Merchandise sector	% of total sales	Change %
Men's wear and accessories	10.3	4.7
Ladies' wear and accessories	18.0	9.0
Children's wear and junior wear	6.7	11.5
Footwear	3.0	11.3
Cosmetics	4.5	9.6
Fashions total	42.6	8.5
Home furnishings, fabrics, needlework, household	11.9	9.9
Leisure and sports	10.6	14.2
Food	19.2	8.5
Cafeterias and miscellaneous services	2.1	3.8
Others total	43.8	10.0
International operations	13.7	24.1
Total	100.0	11.1

Stockmann laid its cards on the table in the spring 1986

Having had experience with account holders for a number of decades already, Stockmann's Department Store Division was the first in Finland to launch a "Loyal Customer" campaign, in April 1986. The objective was to give considerable additional bonuses to customers who did frequent business with the department stores and with Academic Bookstore. A cash card that had just been introduced was another first in Finland.

There were 80 000 Stockmann Card holders when the new customer bonuses linked to the Loyal Customer cards were unveiled. The number of Loyal Customers has more than quintupled in the ten years since then, with 468 000 Loyal Customers at the end of 1996.

The first Loyal Customer Booklet came out in 1990. Loyal customer bonuses were collected into a coupon booklet for the occasion. Above the first campaign advertisements in April 1986.

It was felt that the best customers needed to benefit more than just flexible payment terms for their loyalty. Thus the Stockmann cards began to feature customer bonuses on trendy products that changed monthly and have become more numerous over the years. The sizeable customer bonuses can be had solely upon presentation of the card, but there are no minimum purchases or points to collect for those who wish to become card holders - a visit to the store's Loyal Customer Service counter is all it takes!

Regular customer bonuses on products and occasional surprise bonuses attracted interest right from the start. The bonuses were collected into a bonus booklet for the first time in February 1990. The first issue was in the form of coupons. The goal right from the start was topicality and high-quality brand name products. Still very much in fashion, some interesting domestic brand names included at that time were men's St. Jaques and Big L, women's Nanso, and the classic Paratiisi set of dishes by Arabia.

February has often featured surprise bonuses and it is also a regular celebration month for Loyal Customers. During the year under review, the 400 000th Loyal Customer had a Dream Day punctuated by shopping, a beauty treatment, gourmet food and theatre. Regular and special occasion vouchers have been distributed in the millions over the years.

Loyal Customers give frequent feedback. This has helped to achieve another objective of the campaign - getting to know the wishes of the customer better.

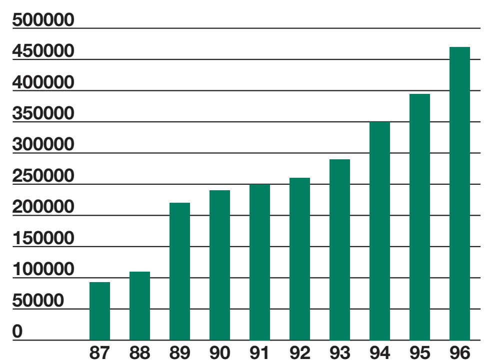
Pia Palmrooth, of Espoo, was Stockmann's 400 000th Loyal Customer. Mrs. Palmrooth obtained her Loyal Customer card at the Helsinki department store on February 6, 1996 and received the Dream Day surprise reward, a day in the department store worth almost 10 000 Finnish marks.

12 good reasons to become a Loyal Customer

- A Loyal Customer receives a monthly Bonus Booklet with dozens of customer bonuses on various products. The bonuses on prices are at least 20%.
- A Loyal Customer may choose a account card or a cash card. There is no charge for the account card.
- The card is available right away at the Loyal Customer service counter.
- The account card gives an average payment period of 35 days interest-free or 5 months with interest.
- Family members receive complimentary cards.
- The account card may be used at more than 100 shopping locations. The card may be used to pay for purchases at Stockmann's department stores, Academic Bookstore, Sesto, Seppälä and Hobby Hall stores, Stockmann Auto shops (spare parts and servicing), Stockmann's stores in Moscow and St Petersburg, the department store in Tallinn, Silja Line ferries and NK department store in Stockholm.
- A Loyal Customer may take merchandise home for viewing.
- A Loyal Customer gets furnishing bonuses on furniture purchases.
- A Loyal Customer gets bonuses on Silja Line ferries.
- A Loyal Customer gets insurance bonuses at Sampo.
- A Loyal Customer gets bonuses at Arctia hotels.
- A Loyal Customer gets surprise customer bonuses all year long!

A Loyal Customer has one reason after another to celebrate. Special occasion vouchers distributed in connection with different campaigns make shopping affordable.

Number of Loyal Customers 1987-1996



The Ford sales and servicing unit of Stockmann Auto in Turku opened its doors in the immediate vicinity of the Länsikeskus shopping centre on May 17. The dealership represents a new service concept, an automotive centre that works closely with its clients.

Automotive Sales Division		1996	1995	1994
Sales	FIM mill.	**1 429.6**	996.2	755.2
Proportion of Group sales	%	**19.3**	15.9	13.8
Profit from operations before depreciation	FIM mill.	**22.8**	23.4	17.9
Operating profit	FIM mill.	**18.5**	20.8	15.9
Return on investment	%	**7.8**	11.5	13.5
Investments	FIM mill.	**17.8**	4.0	5.1
Staff Dec. 31		**493**	340	335

Audi quality in a new size class: the new Audi A3.

Stockmann's Automotive Sales Division serves its customers at seven full-service sales outlets in the Greater Helsinki area, and at the modern Ford dealership in the Turku economic area. The division's 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 a wide range of trade-in vehicles.
Repair shops and spare parts services are the areas where the importance of good quality and reliable customer service is particularly significant.

Automotive Sales Division

Growth pace continues

The motor vehicle trade in Finland continued to expand in 1996. A total of 95 830 new cars were sold, or 20 per cent more than in the previous year. The market grew at a clearly slower pace in the Greater Helsinki area than elsewhere in the country. Growth in the Helsinki area was 12.5 per cent. While increasing, the total volume of the motor vehicle trade continued to lag far behind the 1980s when an average of 140 000 new cars were sold annually. A notable aspect of 1996 was the growing popularity of diesel cars. The proportion of diesel cars rose from the previous 5-8 per cent to 13.5 per cent of all car sales last year.

Van sales again enjoyed strong growth. A total of 8 883 new vans were registered, which represents an increase of 32.8 per cent on the year. Competition for a share of the growing total market was aggressive. This further intensified competition through pricing and led to a weakening in the relative profitability of retail sales. Investment pressures and the need for additional working capital to fuel growth gave further momentum to the structural alteration in the motor vehicle trade. Stockmann took part in this development by expanding the operations of the Ford line both in the Greater Helsinki area and in the Turku economic area.

European makes of cars again increased their aggregate market share. Sales of Japanese vehicles did not keep pace with the total market.

Continued growth in sales

Sales by the Automotive Sales Division inclusive of VAT were 1 429.6 million Finnish markkaa. Turnover was FIM 1 174.6 million, an increase of FIM 355.9 million, or 43.5 per cent, on the previous year. About one half of the growth in turnover was due to the establishment of new sales outlets. The growth in comparable sales was 21 per cent, which means that the Automotive Sales Division succeeded in increasing its sales clearly faster than the average growth of the Greater Helsinki market.

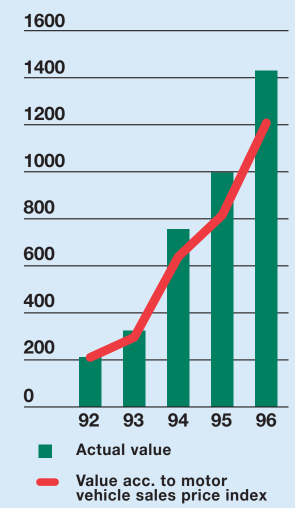
Operating profit was FIM 18.5 million. This was a slight decline on the year as operations expanded considerably and greater depreciation items caused by capital expenditures and one-time merging and opening expenditures put a strain on earnings. The operating profit of the group consisting of "old units" kept up with the growth in sales.

Market share increases

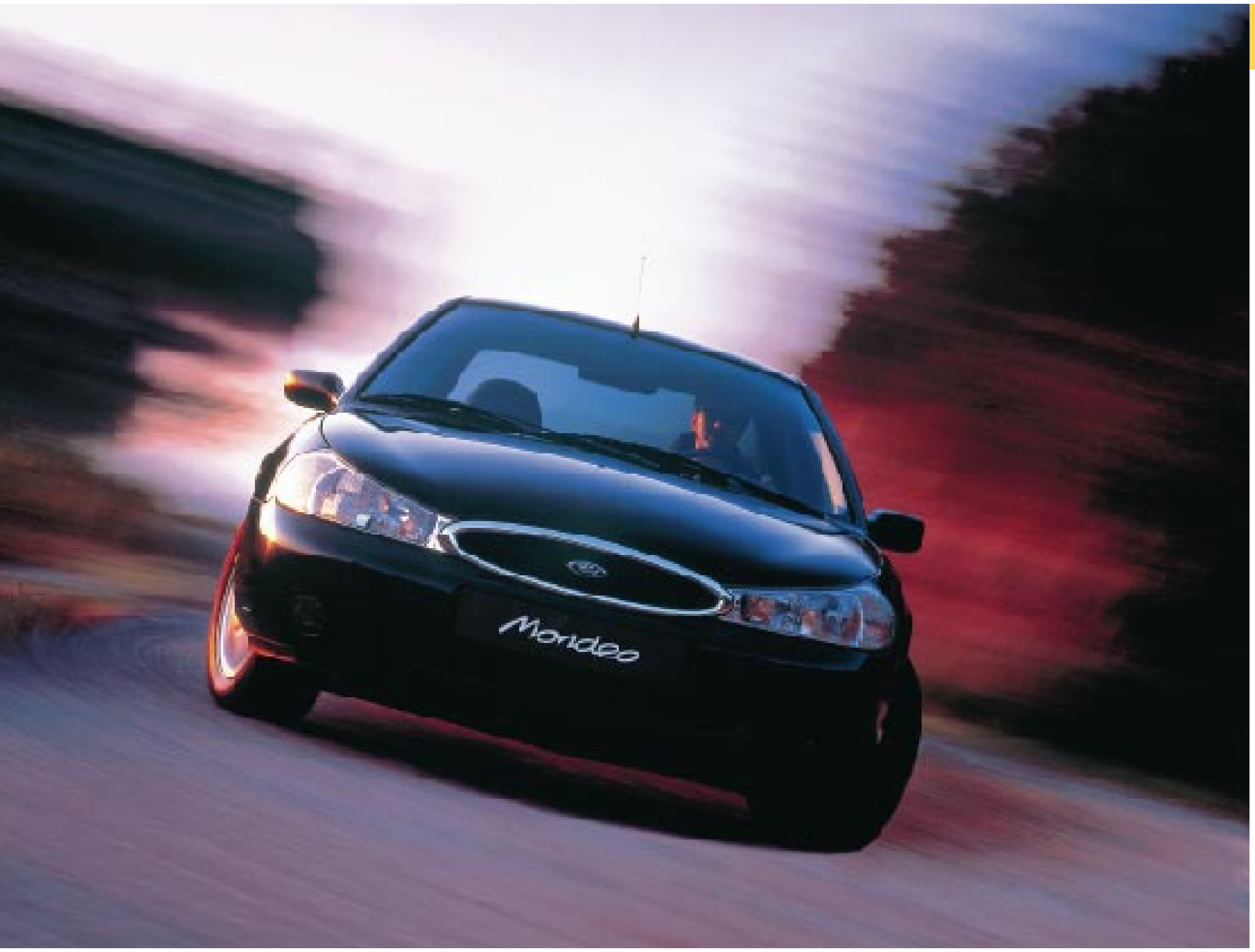
The Automotive Sales Division is organized according to its principals into three product lines. Three of the car makes sold by Stockmann - Volkswagen, Ford and Nissan - were amongst the five top selling makes of car. Ford increased its nationwide sales by 30.8 per cent, Volkswagen by 21.2 per cent and Nissan by 8 per cent. Stockmann sold a total of 14 114 vehicles, of which 7 640 were new vehicles. The VW line sold 3 966 (+ 15.9%), the Ford line 2 978 (+ 114.9%) and the Nissan line 696 vehicles (+ 50.3%).

Stockmann Auto presented its autumn line-up of new models in an unforgettable way: more than 1500 guests were invited on a 24-hour cruise extravaganza. From a car show on the car deck, the guests were bussed to the Stockmann department store in Tallinn for a fashion show and shopping.

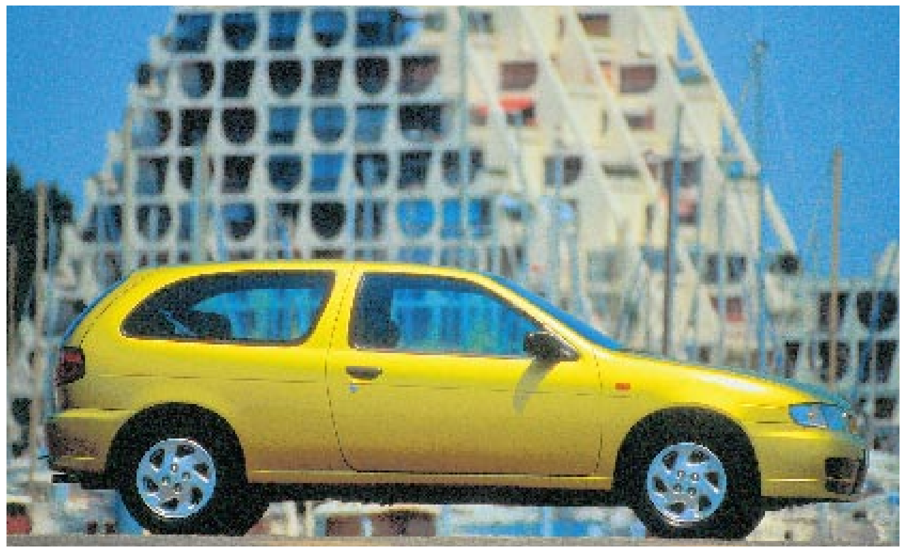
Sales by the Automotive Sales Division 1992-1996, FIM million



Automotive Sales Division



The new unique Ford Mondeo was the number two car model in Finland in terms of 1996 registrations. Both customers and test drivers praised the new model's excellent handling characteristics.



Nissan Almera. The winner of the safety test of the family car class.

The Automotive Sales Division strengthened its market leadership position in the new vehicle trade in the Greater Helsinki area, attaining a market share of about 25 per cent.

The number of trade-in vehicles sold was 6 474 (+ 51.4%). Trade-in vehicle sales were characterized by unpredictable demand. The price level of trade-in vehicles dropped about 7 per cent during 1996. The drop was not steady over the course of the year but very erratic. The trade-in vehicle supply continued the trend toward a greater proportion of high-mileage vehicles. The Automotive Sales Division maintained its trade-in vehicle stock at the planned level, and stock turnover remained good all year. The average stock turnover for trade-in vehicles was about 30 days.

Servicing capacity in full use

The capacity of car servicing and repair operations was in full use at all car outlets. The waiting lists at the repair shops were again occasionally far too long from the standpoint of good customer service.

Accordingly, repair shop capacity was increased during the year. For instance, a small VW service and repair shop was opened on Mariankatu street, downtown Helsinki, and internal changes were made in Pitäjänmäki to increase capacity. Thanks to an expansion in Ford operations in the Greater Helsinki area, it was possible to improve Ford servicing capacity and to distribute the capacity more evenly among different outlets.

The Division will continue to pay special attention to servicing capacity until a suitable and sufficient balance is achieved.

Expansion was significant

The Automotive Sales Division underwent considerable expansion during the year under review, most of the expansion took place in the Ford product line. The Autotalo dealership in Espoo and the Ford Centre dealership in Tikkurila were merged with Stockmann's Automotive Sales Division on 1 April 1996. A new Ford dealership was opened in the Turku economic area on 17 May 1996.

Capital expenditures associated with the establishment of the Ford dealership in Turku were in the range of FIM 11 million. Direct investment in Espoo's Autotalo and Tikkurila's Ford Centre dealerships amounted to about FIM 3 million.

In addition to these investments, the merging of Espoo's Autotalo and Tikkurila's Ford Centre dealerships with Stockmann's Automotive Sales Division and the opening of the Ford dealership in Turku created a considerable number of one-time costs that put a strain on the earnings of the Division during the year under review.

Resources were devoted to the development of quality systems during 1996. Preparatory work was done to bring the VW and Nissan product lines under the ISO 9002 quality system, already in use in Ford operations. The quality system will be implemented in an expanded form in March 1997. Work to develop the quality systems of the new Ford sales outlets that joined the Automotive Sales Division also got under way during the year.

The Vantaa VW dealership of the Automotive Sales Division was part of a pilot group in an environmental programme organized by The Central Organization for Motor Trade and Repairs, gaining the central organization's approval for its environmental programme on 2 October 1996.

Regular training and the system of monitoring customer satisfaction are part of the Division's continuing efforts to improve the level of customer service.

Outlook for the current year

The motor vehicle trade in Finland appears to be continuing on an upward trend in 1997, although with no strong growth in demand. About 110 000 new cars are expected to be sold in 1997, which would represent growth of about 15 per cent.

The Volkswagen Passat was given a totally new look that has been enthusiastically received throughout Europe. Both customers and the press have lavished praise on the new Passat's price-quality ratio.

The Automotive Sales Division may realistically expect to outperform the market.

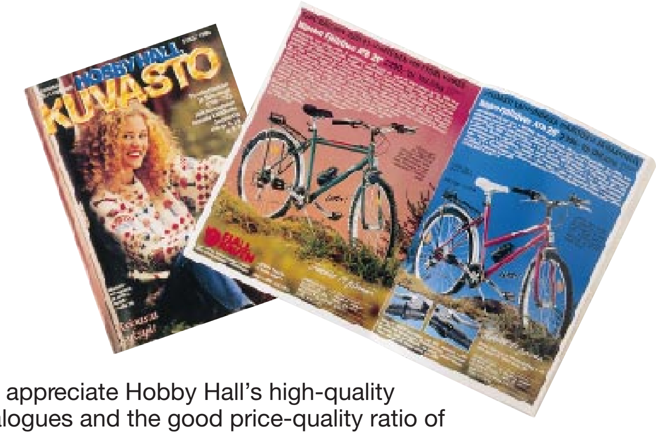
Investments made in 1996 will have a positive effect on the sales and earnings figures for the year.

To develop Ford sales, Stockmann Auto is constructing a new, modern showroom in Herttoniemi in co-operation with Oy Ford Ab. The new premises are scheduled to be completed in September 1997.

Hobby Hall

Hobby Hall has been well received by customers in Tallinn, even if mail order sales are a new way of doing business in Estonia. Tallinn's Hobby Hall store was opened in a refurbished printing house next door to the Stockmann department store on February 26, 1996.

Hobby Hall		1996	1995	1994
Sales	FIM mill.	**954.0**	812.4	640.1
Proportion of Group sales	%	**12.9**	13.0	11.7
Profit from operations before depreciation	FIM mill.	**61.6**	65.6	48.1
Operating profit	FIM mill.	**56.8**	61.8	44.7
Return on investment	%	**19.1**	24.3	23.9
Investments	FIM mill.	**3.9**	10.3	5.0
Staff Dec. 31		**469**	399	333



Customers appreciate Hobby Hall's high-quality colour catalogues and the good price-quality ratio of the merchandise. Brand name leisure products in particular have sold well.

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

Hobby Hall's sales inclusive of VAT were FIM 954.0 million. Turnover was FIM 775.2 million, an increase of FIM 100.6 million compared with the previous year. Sales in Finland grew to FIM 857.7 million and in Estonia to FIM 96.2 million.

Hobby Hall's operating profit was FIM 56.8 million, dropping 8.1 per cent from the record FIM 61.8 million in 1995. Due to higher marketing costs and Estonia' s new sales tax, the result for the first half of the year was clearly weaker than in the previous year. The result for the second half was clearly better than in 1995.

Postal delivery and, particularly, printing paper costs went up. Thanks to a positive earnings trend in the latter part of the year, the full-year operating profit was just FIM 5 million lower than in the previous year.

More than two million parcels

About 1.9 million parcels were dispatched in Finland and 300 000 in Estonia, which represents a doubling of dispatches in three years. A 8 500 square meter warehouse was rented in Konala, Helsinki, to streamline handling of bulky items dispatched separately, and other dispersed, temporary storage facilities were at the same time vacated. With increasing volumes, the logistics system of the order dispatch centre in Vantaa has also received attention and has been made more efficient.

Demand for brand-name products has surged, particularly in merchandise sectors to do with entertainment electronics, household appliances and leisure products. A record number of 28 000 bicycles were sold, for instance. Household textiles are still the largest merchandise sector.

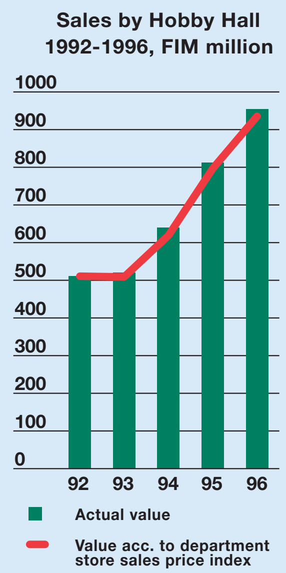
There are 107 000 customers in Estonia, of whom no fewer than 47 000 are Loyal Customers. For the first time, Loyal Customers were offered the opportunity to buy on credit. This purchasing method is quite new in Estonia, but results have been positive and purchasing on credit is to become an established way of doing business with Hobby Hall in Estonia. The possibility of paying by instalment at the same time helps increase the value of the average purchase. The proportion of orders phoned in has also risen in Estonia.

Stores support mail order sales

Sales by the store in Vantaa amounted to FIM 71.5 million, representing an increase of about nine per cent compared with the previous year. Sales by the store in Helsinki rose by 16 per cent and were FIM 39.6 million. Renovation and expansion work on the store in Hämeentie street in Helsinki has started and is scheduled to be finished by the summer. Sales by the small store opened early in the year in Tallinn totalled three million markkaa.

Objectives for 1997

Hobby Hall's sales came close to reaching one billion Finnish markkaa last year and are expected to exceed that figure this year. Increasing competition related to the EU has not significantly affected Hobby Hall's earnings although keener competition in the Finnish mail order business led to a weaker-than-average earnings trend in the sector. Hobby Hall's unwavering belief in high-standard, all-round customer service and in the power of extensive brand-name marketing has proved to be a solid business idea and a reliable cornerstone of growth.



Loyal Customers account for the bulk of mail order sales

Loyal Customers in Finland and Estonia

Thanks to active marketing efforts and growing volumes, the number of loyal customers has reached a respectable 673 000 in Finland. The vast majority of articles sold, over 80 per cent, go to loyal customers. About one half of the orders are phoned in: the customer only pays the cost of a local call.

An average of 4 500 customers per day call Hobby Hall to place their orders. On the busiest days such as during the pre-Christmas season or following the distribution of catalogues, the number of calls grows by almost one half.

Sesto

Store departments offering good service and comprehensive assortments are a crucial part of Sesto's competitive strength.

Sesto		1996	1995	1994
Sales	FIM mill.	**929.1**	715.5	662.1
Proportion of Group sales	%	**12.5**	11.4	12.1
Profit from operations before depreciation	FIM mill.	**19.7**	6.8	11.5
Operating profit	FIM mill.	**7.7**	0.1	5.2
Return on investment	%	**7.4**	0.1	7.8
Investments	FIM mill.	**13.3**	17.8	16.6
Staff Dec. 31		**668**	674	570

Baker's pride goes into making fresh bread at the Etujätti hypermarket in Tampere.

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

Sesto's sales inclusive of VAT totalled FIM 929.1 million in 1996. This represented a comparable sales growth of 3.0 per cent on the previous year's figure of FIM 715.5 million. Including new stores, sales grew by 29.9 per cent. The value of nationwide sales of supermarket goods stayed at the 1995 level, whereas the sales volume grew by about one per cent.

Sesto's turnover was FIM 786.9 million, up by 29.9 per cent on the previous year. Operating profit rose to FIM 7.7 million. The most important reasons for the improved profitability were a higher profit from operations before depreciation in traditional Sesto stores and the ending of start-up costs for the new stores opened in 1995. The Tammisto Etujätti hypermarket in Vantaa did very well. The earnings trend of the Etujätti hypermarket opened in Turku's Länsikeskus shopping centre in October 1995 has suffered from a difficult competitive situation. Tampere's Etujätti, opened in Linnainmaa in May, is performing according to plan.

Marketing and training

Five one-week Hocus Pocus campaigns were conducted during the year to boost sales at the traditional Sesto stores. A new company image expressed as "Sesto has more" was promoted through magazine advertisements and TV commercials in October. A customer satisfaction survey was conducted as usual in January 1996, with favourable results.

Training in both customer service and merchandise management was deployed as planned during spring 1996.

Capital expenditures decline

Sesto's capital expenditures declined to FIM 13.3 million from the previous year's figure of FIM 17.8 million. The capital expenditures were for the most part applied to the machinery and furnishings of the Tampere Etujätti hypermarket.

Some setbacks were suffered. Olari's Sesto in Espoo had to be closed at the end of the year due to an unsuccessfully contested dispute on leasing rights. Accordingly, the total number of Sesto stores stood at 17 at the end of the year.

Organizational changes

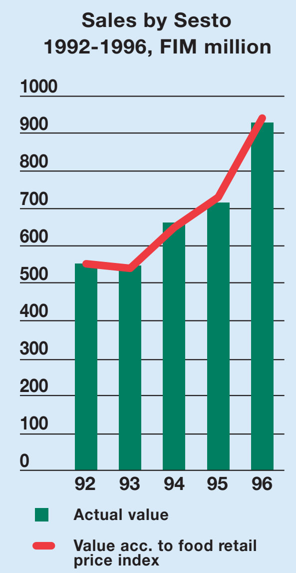
The food purchasing organizations of Stockmann's Department Store Division and the Sesto Division were merged on 1 January 1997. The objective is to improve purchasing terms and to streamline operations. In order to add diversity to the merchandise assortment, imports will be increased, mostly from the EU area.

Outlook for 1997

The business cycle barometer published by the Federation of Finnish Commerce and Trade forecasts a slight increase in the supermarket goods trade in 1997. The 1997 objective is to develop the operations and the image of both the traditional Sesto stores and the Etujätti hypermarket chain, targeting a distinctive style.

New stores boost sales

Etujätti hypermarkets always offer a good selection of fresh fish.



A new company image "Sesto has more" was promoted last year.

Seppälä

Enhanced operating procedures lead to good earnings

The elegant black and white city styles of spring 1997 were presented at Seppälä's traditional spring fashion show at the Helsinki Fair Centre.

Seppälä		**1996**	1995	1994
Sales	FIM mill.	**670.3**	613.0	550.5
Proportion of Group sales	%	**9.0**	9.8	10.0
Profit from oprations before depreciation	FIM mill.	**78.2**	86.1	73.0
Operating profit	FIM mill.	**70.6**	80.9	67.6
Return on investment	%	**60.3**	86.9	83.7
Investments	FIM mill.	**16.2**	11.0	7.2
Staff Dec. 31		**625**	580	563

Seppälä opened last year 11 new stores, including a new store in Vantaa, on the Tikkuraitti pedestrian street. The chain of stores now consists of a total of 84 stores in Finland and one in Tallinn.

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 84 stores in Finland and in one store in Tallinn, Estonia. Centralized, chain-store operations guarantee very affordable prices and reliable quality.

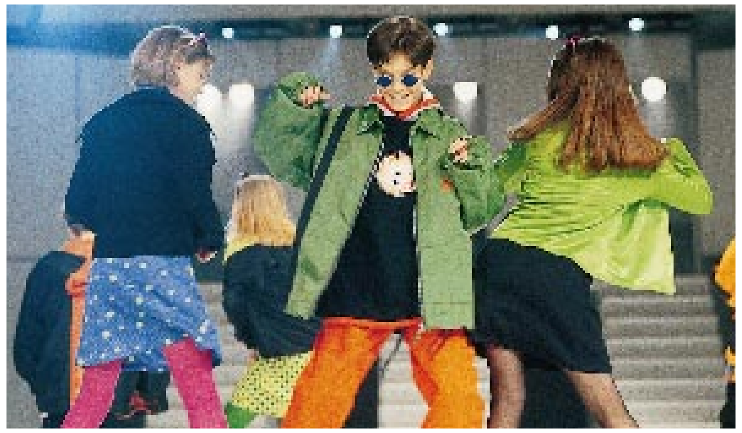
Seppälä's sales inclusive of VAT were FIM 670.3 million. Capricious weather conditions had an effect on people's willingness to make purchases. The resulting overstocking led to unusually many price discounts, which cut into the relative gross margin. However, cost-effectiveness continued to improve, bringing operating profit to FIM 70.6 million, despite higher depreciation charges. An efficient use of capital kept return on investment at a good level.

Eleven new stores

The volume of textile and garment trade in Finland grew by about 3 per cent. Seppälä's turnover was FIM 553.0 million, up 9.9 per cent on the previous year. Sales of women's, men's and children's fashions as well as cosmetics outstripped last year's figures.

The sales network was further expanded. During 1996, stores were opened in Huittinen, Heinola, Kuusankoski, Tullintori mall in Tampere, Nivala, Orimattila, Pori, Sodankylä, Tikkurila in Vantaa, and Hämeenlinna. There were 81 of Seppälä's own stores and three stores run on a partnership basis operating in 66 localities in Finland at the end of 1996. In co-operation with Stockmann's Department Store Division, a Seppälä store was opened in Tallinn, Estonia, in April.

Concurrently with the opening of new stores, the furnishings of eleven stores were renewed in connection with moving or renovation. The new furnishing solutions will have a positive impact on self-service and contribute to visual marketing. TV campaigns were the favoured method in product marketing. Television has proved to be an effective medium for a nationwide chain of stores, and it was also exploited in the form of image advertising.



Seppälä's fashions for children and young adults feature great clothing at agreeable prices. Bright colours and casual style are prominent in this spring's collection.

Efficient operating procedures

Enhanced operating procedures had a substantial impact on Seppälä's cost-effectiveness and good earnings level.

Key operations were developed by placing new tools in use. Control of materials flows was given more emphasis. Intermediate storage at sales outlets was reduced. Even outlays on information technology were mostly directed at software development in the areas of materials flow control and purchasing planning.

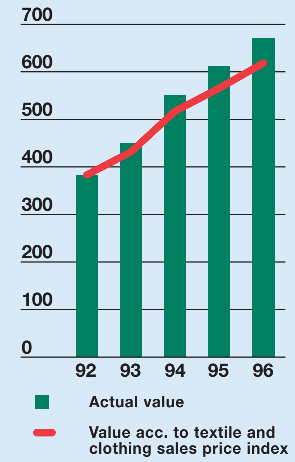
The renewal of the cash register system of the entire chain of stores, which was started in the previous year, was seen to completion in the spring. Customers are reacting favourably to the more flexible service now that the cashier functions have been upgraded. The upgrading was at the same time an opportunity to streamline internal functions. This process will continue.

Men's leisure fashions have borrowed themes from golf courses.

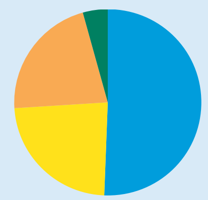
Outlook for the years ahead

Private consumption is expected to stay on a clear upward trend in 1997. Seppälä is confident that positive development will continue in its own business. A decision has been made to open three new stores - in Lapua, Ylöjärvi and Klaukkala - during the spring.

Sales by Seppälä 1992-1996, FIM million



Sales by Seppälä 1996



50.6% Ladies' fashions
23.4% Men's fashions
21.7% Children's fashions
4.3% Cosmetics

Academic Bookstore

Academic Bookstore opened its tenth store in the Minna mall in Kuopio in August.

Academic Bookstore focused on sales of high-volume products. The top selling title was Jari Sarasvuo's *Sisäinen sankari*, followed by Kjell Westö's *Drakarna över Helsingfors*, a description of life in Helsinki in the 1980s. Irja Rane's *Naurava neitsyt*, which won the Finlandia Prize, Riitta Uosukainen's *Liehuva liekinvarsi*, and Pekka Tarkka's *Saarikoski* were other best-selling titles.

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

Book sales in Finland grew by about 5 per cent. Sales of stationery products and office supplies grew by about 10 per cent. Major bookstore chains increased their market share and the number of privately-owned bookstores in Finland declined.

The total number of computers sold to companies grew by about 16 per cent, while sales to private consumers stayed at the previous year's level. Competition hotted up last year. Sales of peripherals, software and games grew strongly.

The Internet is turning into a viable commercial channel. Book on Demand is becoming a factor on the textbook side in particular.

Sales increase

Academic Bookstore's sales inclusive of VAT were FIM 475.4 million, up by 7 per cent compared with the previous year. Turnover was FIM 417.1 million.

In-store book sales were up by 14 per cent, while institutional book sales declined by 4 per cent. Academic Bookstore lost some of its market share in the library market due to aggressive competition.

Sales of basic stationery products grew by 10 per cent and sales of subscriptions by 3 per cent.

Despite a drop of 14 per cent in microcomputer sales, Micronia's sales figures maintained last year's levels thanks to a strong increase in software sales.

Academic Bookstore's gross margin in Finnish markka terms improved by 8.5 per cent.

Micronia's top sellers were User's CD-ROM 1997 and Fax modems. The third place was captured by children's Moomintroll CD-ROM.

Academic Bookstore's sales were looking forward to the arrival of the new store in Kuopio and have received it very well.

Tapiola's Academic Bookstore moved to new premises measuring 630 square metres, or twice the size of the previous location, in October. The move appears to have been a timely solution because the store's December sales grew by no less than 42 per cent.

Academic Bookstore's marketing was overhauled during the year: Crazy Days, Academic Breakfast for office supply customers and Book Evening events at various localities were successful campaigns. Loyal customer marketing again received special attention. Special offers to loyal customers were increased. The traditional Loyal Customer Night at the Helsinki store, featuring guest writers, was very successful. Local bookstores hosted their own loyal customer days. Sales to loyal customers increased by 18 per cent.

The Academic Bookstore's web site has been up and running all year. Its new feature, an order form, started producing orders right from the start.

Consolidation of the materials operations of the chain was continued.

Added retail space

Total expenditures grew by 11 per cent, which was mainly attributable to increased outlays on marketing, opening costs at the Kuopio store, and salary and rental costs resulting from the move of the Tapiola store. Including Christmas help and the staff in Kuopio, there were 638 employees at the turn of the year. The higher figure was for the most part due to a marked increase in the number of part-time employees and seasonal help. Salary expenditures grew by 8 per cent.

Academic Bookstore's profit from operations before depreciation amounted to FIM 14.6 million, a decrease of FIM 1.2 million on the previous year.

New premises

A new Academic Bookstore providing 640 square metres of floor space was opened in Kuopio's Minna mall in August. Customers had been look-

Kauppalehti and Talouselämä were the best selling annual subscriptions.

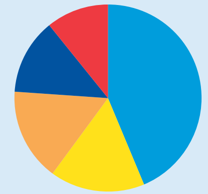
Targets for the coming years

The chain operations of Academic Bookstore will be further enhanced. Managers involved in in-store sales anywhere in the chain will be coached as sales trainers in support of the Academic Bookstore's service concept. Teams dealing with the various merchandise sectors will develop merchandise assortments with the objective of boosting sales.

Outlays will again be made to upgrade the appearance and visual appeal of the stores. The store in Turku will move to new premises in the Hansa-kortteli shopping centre in March. Stockmann's Department Store and Academic Bookstore in the Itäkeskus shopping centre will get new floor space during the spring. The additional space will improve the location of the bookstore in Itäkeskus.

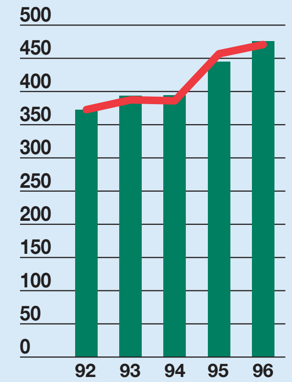
Akademic Bookstore		1996	1995	1994
Sales	FIM mill.	**475.7**	444.8	394.1
Proportion of Group sales	%	**6.4**	7.1	7.2
Profit from operations before depreciation	FIM mill.	**18.7**	19.8	13.6
Operating profit	FIM mill.	**14.6**	15.8	9.7
Return on investment	%	**15.5**	18.8	11.6
Investments	FIM mill.	**5.5**	4.1	4.6
Staff Dec. 31		**638**	579	528

Sales by Academic Bookstore (exclusive of tax)



- 43.7% Books, in-store sales
- 16.4% Subscriptions
- 16.0% Basic stationery
- 13.1% Micronia
- 10.8% Books, orders

Sales by Academic Bookstore 1992-1996, FIM million



Actual value

Value acc. to book and stationery price index

* change in VAT June, 1994

Sales by Academic Bookstore

	1996	1995	%	Change FIM mill.
Helsinki	**297.6**	286.0	4.2	11.9
Tampere	**36.3**	32.8	10.8	3.5
Turku	**32.5**	30.7	5.6	1.7
Tapiola	**25.2**	21.3	18.4	3.9
Jyväskylä	**18.5**	17.0	9.4	1.6
Itäkeskus	**16.8**	15.1	11.3	1.7
Oulu	**15.1**	14.7	2.2	0.4
Joensuu	**14.3**	13.3	7.5	1.0
Lappeenranta	**13.8**	14.2	-2.3	-0.3
Kuopio	**5.3**			
Total	**475.7**	444.8	6.9	30.8

Board report on operations

Stockmann's sales grew by 18.7 per cent to FIM 7 420.2 million. Turnover grew by 18.2 per cent and was FIM 6 164.5 million.

Operating profit grew by 17.3 per cent to FIM 291.4 million. Profit before extraordinary items, voluntary provisions and income taxes was FIM 315.9 million. Growth on the previous year was FIM 35.6 million, or 12.7 per cent. The operational result includes a gain of FIM 15 million on the sale of Tuko Oy shares.

Retail sales in Finland

Retail sales in Finland grew by 4.1 per cent in 1996 and the value net of VAT was 4.8 per cent. The strongest sales growth was in the motor vehicle trade, where the value of sales grew by 13.1 per cent. Department store sales grew in line with the retail trade, or 4.2 per cent. In 1996 the value and volume of supermarket goods sales remained at the 1995 level.The volume of Finland's retail sales in 1996 was at the 1985 level and still about 16 per cent smaller than in the peak years at the end of 1980s. Retail sales are forecast to grow further during 1997.

Stockmann's sales and market share grew

Stockmann's sales grew at a markedly stronger rate than did the retail trade on average, as they did in the previous year. Sales were up 18.7 per cent to FIM 7 420.2 million.Turnover grew by 950.7 million, or 18.2 per cent and was FIM 6 164.5 million.About half of the growth in turnover came from new units. The comparable growth rate was twice that of the growth of the retail sector.

The Automotive Sales Division's turnover grew by 43.5 per cent. Half of the growth came from the Ford outlets in Espoo and Vantaa that were purchased in April 1996 as well as from the Ford outlet that was opened in Turku in May 1996. Sesto's turnover grew by 29.8 per cent, mainly due to the effect of the new Etujätti hypermarkets.Within the Department Store Division, there was continued good growth in the turnover of the department stores in Finland - 8.6 per cent. Turnover of the Department Store Division's international operations grew by 24.4 per cent thanks to the effect of a department store opened in Tallinn, Estonia, at the beginning of April 1996. The turnover of Hobby Hall, Seppälä and Academic Bookstore clearly outstripped the average growth in their own fields.

An improved result

Stockmann's gross margin grew by FIM 228.2 million, or 13.5 per cent, to FIM 1 916.2 million. The operational gross margin nevertheless declined from the previous year's 32.4 per cent to 30.8 per cent because of the faster growth rate of the Automotive Sales Division and Sesto, which have lower gross margins than the other units. Costs grew less than the gross margin in markka terms, which meant that profit from operations before depreciation improved by FIM 63.4 million to FIM 403.8 million, an increase of 18.6 per cent.

Depreciation was up by FIM 20.6 million on the year and totalled FIM 112.4 million. Operating profit grew by FIM 42.9 million and was FIM 291.4 million.

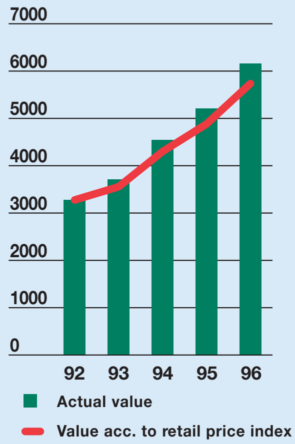
Depreciation on the large capital expenditures on the store network together with the costs of starting up new stores weakened profitability as a ratio of turnover.

Net income from financial operations was FIM 24.5 million, or FIM 7.2 million less than a year earlier. Interest income grew in step with the increased interest income on interest-bearing sales receivables. Interest expenses were increased by a FIM 300.0 million note issue in October 1996. Because of large capital expenditures and the increase in working capital, short-term interest rate instruments occupied a greater share in Stockmann's investment operations. During 1996 both short and long-term interest rates fell sharply.The share of short-term interest instruments in Stockmann's investment operations grew during the year. Both short and long-term interest rate derivatives were nevertheless used

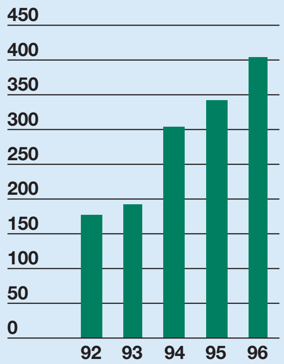
Turnover, FIM million

	1996	1995	Change %
Department Store Division	**2 455.9**	2 220.4	10.6
- Department Stores in Finland	**2 107.6**	1 940.4	8.6
- International operations	**348.4**	280.0	24.4
Automotive Sales Division	**1 174.6**	818.7	43.5
Sesto	**786.9**	606.1	29.8
Hobby Hall	**775.2**	674.6	14.9
Seppälä	**553.0**	503.4	9.9
Academic Bookstore	**418.7**	391.7	6.9
Real estate	**113.2**	100.5	12.6
Eliminations	**-113.0**	-101.4	11.4
Total	**6 164.5**	5 213.8	18.2

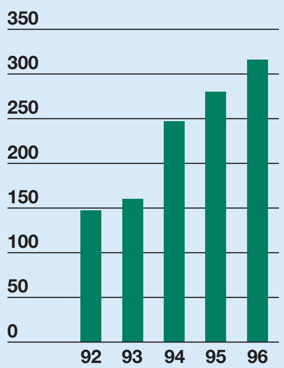
Turnover 1992-1996, FIM million



Profit from operations before depreciation 1992-1996, FIM million



Operational result* 1992-1996, FIM million



* profit before extraordinary items, voluntary provisions and income taxes

to hedge against the fall in interest rates. Accordingly, it was possible to maintain good net income from treasury operations even though there were smaller liquid assets on average than a year earlier. Furthermore, the interest rates on pension fund relending did not fall in tandem with market interest rates. Forward exchange and option contracts were used to hedge commitments denominated in foreign currency.

The operational result, or profit before extraordinary items, voluntary provisions and income taxes grew by FIM 35.6 million from the previous year's FIM 280.3 million to FIM 315.9 million, or by about 12.7 per cent. About FIM 20.6 million of this growth represented an increase in the actual operating result. Profit before extraordinary items, voluntary provisions and income taxes includes a FIM 15.0 million gain mainly on the sale of Tuko Oy shares, which has been booked in other operating income and was stated as extraordinary income in the half-year report.

The litigation with Polar Corporation concerning the sale of the shares of Polar Corporation and Povarstock Oy was settled in December 1996 by an accord in which Stockmann sold the shares at a price of FIM 36.3 million and made a commitment to apply the proceeds of the sale in subscribing 3.6 million Polar shares at a nominal value of FIM 10 each in Polar Corporation's share issue. The deal resulted in FIM 14.0 million of extraordinary income. Extraordinary expenses of FIM 13.9 million were due to the write-downs on Polar Corporation's shares in the financial statements.

Profit before voluntary provisions and income taxes was FIM 316.0 million, or FIM 34.4 million greater than a year earlier.

Direct taxes grew by FIM 18.7 million to FIM 97.9 million. Net profit grew by FIM 25.1 million on the previous year and was FIM 217.6 million.

The return on investment improved from 13.2 per cent to 13.3 per cent. Return on equity was up 0.3 percentage point to 11.4 per cent. Earnings per share grew by FIM 0.99 from last year's FIM 13.95 to FIM 14.94.

Stockmann's market capitalization grew by FIM 563.4 million during the report year and stood at FIM 4 009.6 million at the end of the year.

The dividends paid on the 1995 financial year were FIM 100.9 million, or FIM 14.4 million more than the dividends paid for the 1994 financial year. The Board of Directors will propose to the Annual General Meeting that a dividend of FIM 7.5 per share be paid for 1996.

The department stores and Sesto improved their result

The Department Store Division increased its market share last year. Sales grew by 11.0 per cent compared with 1995. The Department Store Division's operating profit grew by FIM 48.0 million on the year and was FIM 118.7 million. The bulk of the growth in operating profit came from international operations, but the operating profit also grew significantly within domestic operations. International operations posted an increased operating profit. The main reasons for the growth were the energetic restructuring measures carried out within International Operations coupled with the rise in the exchange rate of the dollar, which is used as the pricing currency in Russia. The Department Store Division's return on investment grew from 11.8 per cent a year earlier to 18.0 per cent.

Thanks to the opening of new units, the Automotive Sales Division's sales have risen by a whopping 43.5 per cent since 1995. The costs of starting up new sales outlets nevertheless burdened the 1996 result, causing the operating profit of the Automotive Sales Division to decline from the previous year's FIM 20.8 million to FIM 18.5 million. The Automotive Sales Division's return on investment fell from 11.5 per cent in 1995 to 7.8 per cent in 1996.

Hobby Hall's sales grew by 17.4 per cent on the year. Sales were up both in Finland and in Estonia. Market share was boosted by aggressive pricing, resulting in a smaller gross margin. Since costs grew at a faster rate than the markka amount of the gross margin, Hobby Hall's operating profit shrank by FIM 5.0 and was FIM 56.8 million. The return on investment was 19.1 per cent, or five percentage points smaller than a year earlier.

Sesto's result developed positively as a consequence of both an improvement in the gross margin and more efficient operations at both the Etujätti hypermarkets and at the traditional Sesto markets. The entire division's operating profit grew from 0.1 million in the previous year to FIM 7.7 million. Thanks to the earnings improvement, return on investment increased to 7.4 per cent from zero a year ago.

Seppälä's sales continued to grow and were up 9.0 per cent on the year. Seppälä's gross margin did not keep pace with the increase in sales. Since costs grew at a faster rate than the gross margin in markka terms, operating profit declined by FIM 10.3 million to FIM 70.6 million. Return on investment was down on the previous year but was still very high - 60.3 per cent.

Academic Bookstore's sales grew by seven per cent. Expenses grew a bit more than the gross margin and operating profit declined by FIM 1.2 million to FIM 14.6 million. The return on investment declined on the previous year and was 15.5 per cent.

The Real-Estate Unit's rental income grows

The bulk of the Real-Estate Unit's income consists of internal rents that are paid by the commercial units. The rents which Stockmann's own units are charged correspond to market rents. The real-estate unit's operating profit grew by FIM 7.7 million, largely due to the fact that new premises were put into use.

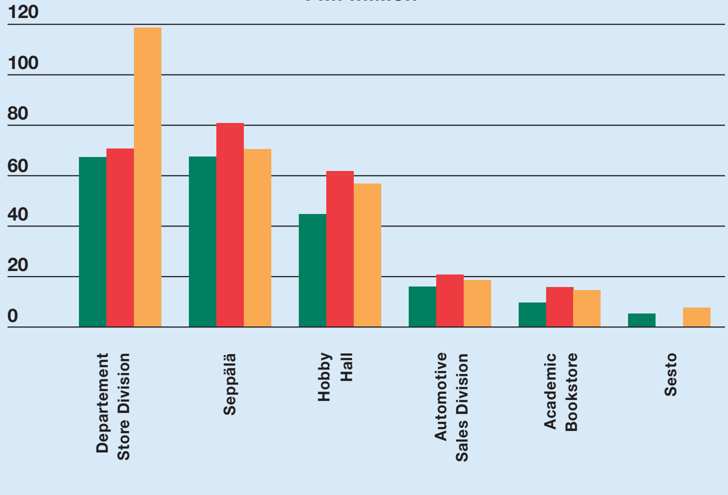
Long-term borrowed capital increases

Stockmann's liquidity was again good. After income taxes of FIM 97.9 million, cash flow financing was FIM 330.5 million. It sufficed to cover a dividend payout of FIM 100.9 million as well as an increase of FIM 166.3 million growth in operating capital. In addition, cash flow financing nevertheless sufficed to cover part of the capital expenditures, which were FIM 333.2 million.

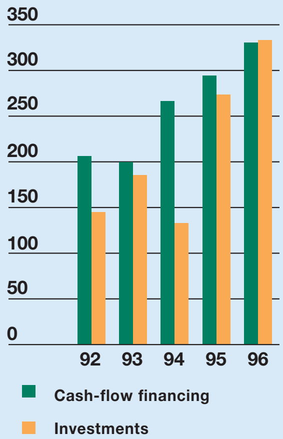
During the year pension fund relending was paid back in the amount of FIM 24.4 million and Stockmann's commercial paper having a nominal value of FIM 65.0 million, which was included in noncurrent creditors at the turn of the previous year, was also redeemed in its entirety. To finance capital expenditures, FIM 300.0 million of bonds with a nominal interest of 5.5 per cent were issued in October. The bonds will be retired in a bullet payment in October 2000. Another FIM 37.8 million of new long-term debt was raised, with pension fund relending accounting for FIM 17.7 million of this amount.

Liquid assets had declined by FIM 290.0 million by the end of September, but thanks to the above-mentioned debt issues and loan arrangements, they grew to FIM 388.9 million during the latter part of the year. At the end of the year liquid assets were FIM 48.4 million greater than at year-end in 1995.

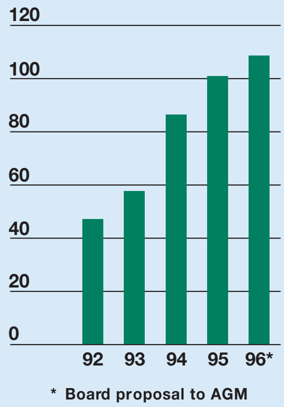
Operating profit of commercial units 1994-1996, FIM million



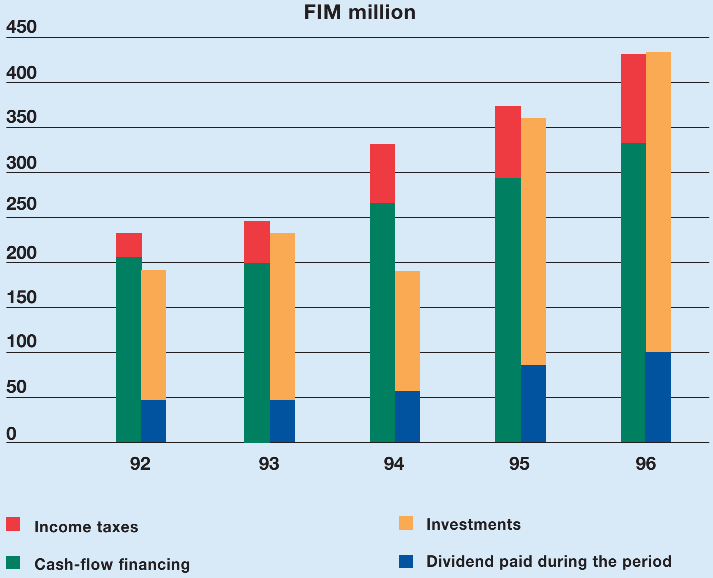
Cash-flow financing and investments 1992-1996, FIM million



Dividend paid for the period 1992-1996, FIM million



Cash-flow financing, income taxes, dividend paid and investments 1992-1996, FIM million



Despite the increase in borrowed capital and the growth in total assets, the equity ratio remained at a high level and was 58.8 per cent, compared with 63.6 per cent at the end of 1995.

Capital expenditures still big

Capital expenditures on fixed assets totalled FIM 333.2 million as against FIM 273.7 million a year earlier. The largest expenditure item was the department store in Tallinn that was opened in April 1996. The department store, including furnishings, tied up FIM 40.6 million during the report year, and its total cost was FIM 90.4 million. FIM 25.4 million was invested in the Sesto Etujätti hypermarket in Tampere, and FIM 22.1 million in the new units of the Automotive Sales Division. The capital expenditure figures of the Automotive Sales Division include 51 per cent stakes in TF-Autokeskus Oy and Espoon Autotalo Oy that were acquired in April 1996.

The most significant share purchase, totalling FIM 45.6 million, was the acquisition of a 16 per cent holding in the Pitäjänmäen Kiinteistöt Oy property management company that owns Stockmann's office and warehouse premises in Pitäjänmäki, Helsinki. In addition shares entitling their holder to occupy the premises of Academic Bookstore's new outlet in Tapiola were purchased at a price of FIM 33.5 million and, according to the above-mentioned agreement, FIM 36.3 million of shares in Polar Corporation were acquired in connection with the sale of the shares in Povarstock Oy. Other capital expenditures went for buildings, FIM 5.6 million, machinery and equipment, FIM 76.2 million, other long-term investments, FIM 26.4 million, shares 16.5 million and plot land FIM 5.0 million.

The extension to the Helsinki department store's retail space, which was still under construction at the turn of the year, as well as the tunnel linking the department store and the indoor car park of the Forum shopping centre were completed at the beginning of March 1997. The total costs of the project were FIM 40.6 million.

The most important of the new capital expenditures is the extension to the department store in Tapiola. Design work on the building has started and construction works will be carried out in 1997 and 1998. The extension to the Tapiola department store will provide 3 800 square metres of retail space and the total cost estimate including furnishings is FIM 115 million. The Automotive Sales Division's project for building an outlet in the Herttoniemi district of Helsinki has also got under way. In addition to a car show room, the building will have repair and servicing areas and its cost estimate including plot land is about FIM 40 million.

A larger payroll

Staff costs totalled FIM 850.2 million, compared with FIM 762.8 million a year earlier. Costs were up 11.5 per cent. Staff costs represented a 13.8 per cent share of net sales, as against 14.6 per cent a year earlier.

Stockmann's payroll at the end of December was 7 072 employees, or 504 employees more than a year ago. Converted to full-time staff, the payroll grew by 415 employees and was 6 039 employees at the end of the year. The increased number of staff was mainly due to the new units that were opened during the year. Staff employed at international units grew by 153 people as a result of the opening of the department store in Tallinn. At the end of the year, 718 Stockmann employees worked abroad, of whom 34 were Finns. The average payroll during the year was 6 589 people, or 574 people more than in 1995. The parent company's payroll was on average 4 930 employees, an increase of 276 people on the previous year.

Important events after the close of the financial year

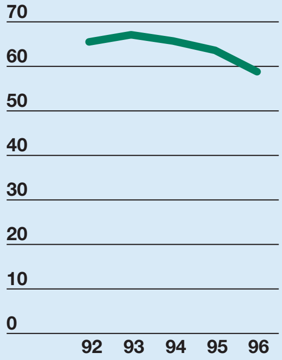
In February a decision was taken together with Kesko Oy and Tuko Oy concerning an arrangement by which Stockmann will purchase 14 per cent of the shares in Tukospar Oy at a price of FIM 32.9 million. For Stockmann, the objective of the deal was to ensure competitive delivery conditions for the supermarket purchases of the Department Store Division and Sesto. The deal is contingent upon approval by the EU Commission.

Outlook for 1997

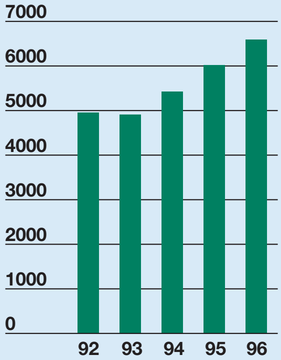
Private consumption is forecast to grow by about four per cent in both 1997 and 1998. The retail trade also expects its sales to grow by a corresponding amount.

It is believed that the Finnish economy will strengthen and that the economic growth will continue stable in the years ahead. Inflation and interest rates are forecast to remain low. The unemployment

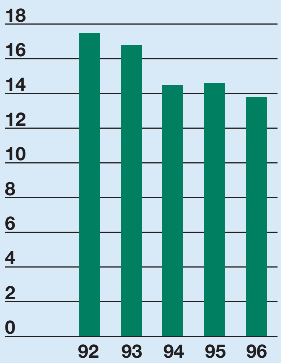
Equity ratio 1992-1996, %



Average number of staff 1992-1996



Staff costs 1992-1996, % of turnover

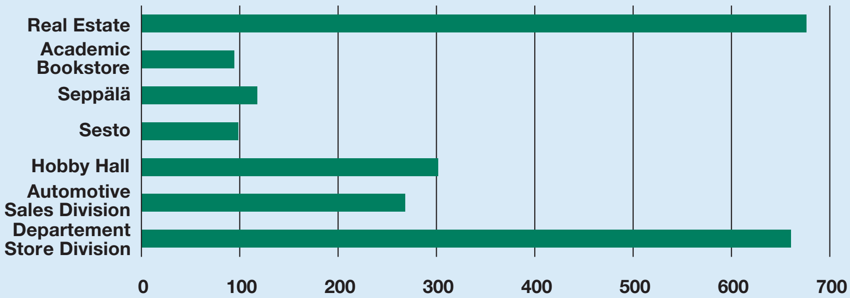


rate is also forecast to recede somewhat. Consumers now have a stronger belief in the economy's recovery.

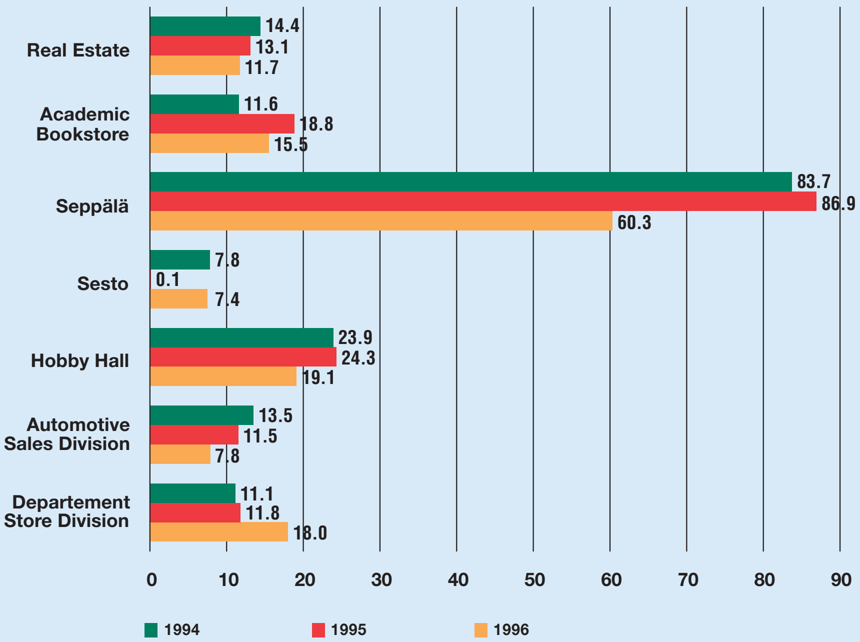
The general economic trend and the growth brought by the capital expenditures which Stockmann has carried out as well as anticipated extensions are expected to have a positive impact on the performance of Stockmann's commercial units. Stockmann's sales are forecast to reach growth that will exceed the average for the retail trade, but the growth is nevertheless not expected to be as strong as it was in 1996.

Although the net profit for 1996 is improved by a one-off gain of FIM 15 million on the sale of shares, the Board of Directors estimates that the operational result for 1997, or profit before extraordinary items, voluntary provisions and income taxes, will be at least as good as it was in 1996.

Capital invested 1996, FIM million



Return on investment* 1994-1996,
* operating profit as a ratio of capital invested



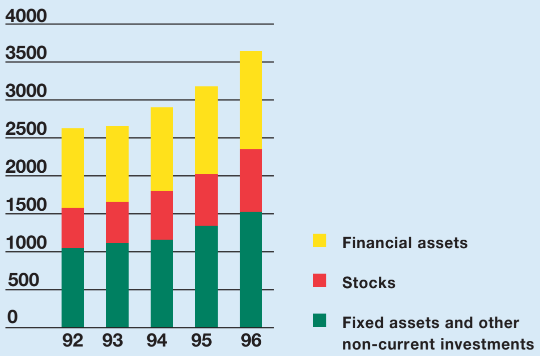
Stockmann's profit and loss account (consolidated)

		Jan.1 - Dec.31, 1996 FIM million		Jan.1 - Dec.31, 1995 FIM million	Change %
Turnover [1]		**6 164.5**		5 213.8	18.2
Other operating income [2]		**15.0**		–	
Costs :					
Raw materials and consumables: [3]					
Purchases during the financial period	**4 412.2**		3 558.6		
Increase in inventories	**-148.9**		-32.8		
Staff costs [4]	**850.2**		762.8		
Rents	**206.0**		196.7		
Other costs [5]	**456.2**	**5 775.7**	388.1	4 873.4	18.5
Profit from operations before depreciation		**403.8**		340.4	18.6
Depreciation on fixed assets and other capitalized expenditure [6]		**112.4**		91.8	22.4
Operating profit		**291.4**		248.5	17.3
Financial income and expenses: [7]					
Dividend income	**4.3**		4.6		
Interest income	**66.8**		63.2		
Other financial income	**0.3**		2.9		
Interest expenses	**-37.2**		-30.7		
Other financial expenses	**-9.6**	**24.5**	-8.3	31.7	-22.7
Profit before extraordinary items, voluntary provisions and income taxes		**315.9**		280.3	12.7
Extraordinary income and charges: [8]					
Extraordinary income	**14.0**		1.3		
Extraordinary charges	**-13.9**	**0.1**	–	1.3	
Profit before voluntary provisions and income taxes		**316.0**		281.6	12.2
Increase in accelerated depreciation [6]		**-60.6**		-70.1	
Decrease in voluntary provisions		**60.1**		60.3	
Income taxes:					
For the period	**-100.4**		-81.0		
For previous periods	**2.6**	**-97.9**	1.8	-79.2	23.5
Profit for the period		**217.6**		192.5	13.0

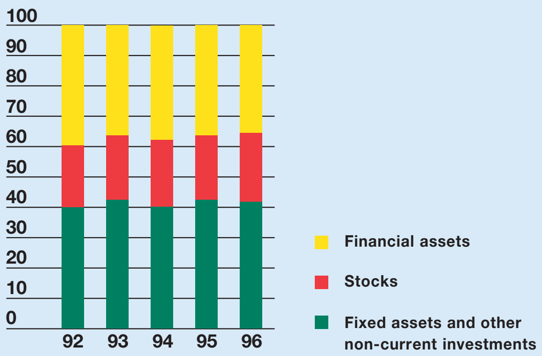
Stockmann's balance sheet (consolidated)

ASSETS	Dec. 31, 1996 FIM million		Dec. 31, 1995 FIM million	
Fixed assets and other non-current investments				
Intangible assets [9]				
Group goodwill	**6.0**		–	
Other capitalized expenditure	**105.1**		85.2	
	111.1		85.2	
Tangible assets [9]				
Land and water	**107.5**		102.5	
Buildings	**782.9**		749.4	
Machinery and equipment	**292.8**		262.7	
Other tangible assets	**0.3**		0.3	
	1 183.5		1 114.9	
Financial assets [10]				
Bonds and shares	**232.5**	**1 527.1**	146.3	1 346.3
Current assets				
Stocks				
Raw materials and consumables	**825.7**		676.9	
Receivables [12-15]				
Trade receivables	**773.5**		692.4	
Loan receivables	**22.3**		19.8	
Prepaid expenses and accrued income	**80.9**		77.6	
Other receivables	**27.4**		22.7	
	904.1		812.5	
Investments [16]				
Bonds and other promissory notes	**312.8**		245.8	
Cash in hand and at bank	**76.2**	**2 118.8**	94.8	1 829.9
		3 645.9		3 176.2

Assets, FIM million

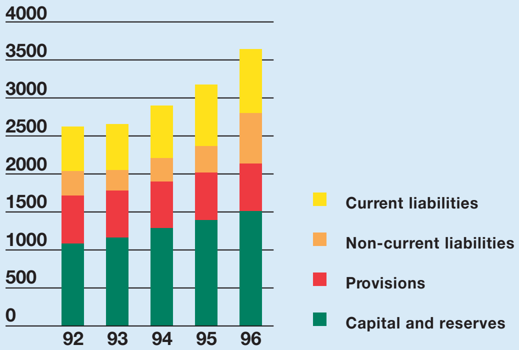


Assets, %

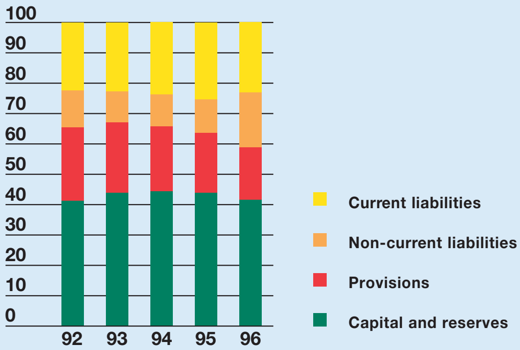


LIABILITITES	Dec.31, 1996 FIM million		Dec. 31, 1995 FIM million	
Capital and reserves 17,18)				
Restricted equity				
Series A shares	**165.8**		165.8	
Series B shares	**122.8**		122.5	
Total share capital	**288.6**		288.3	
Reserve fund	**371.5**		360.4	
Revaluation fund	**140.0**		140.0	
Distributable equity				
Contingency fund	**260.0**		260.0	
Translation difference	**0.0**		0.1	
Retained earnings	**244.8**		153.3	
Profit for the period	**217.6**	**1 522.4**	192.5	1 394.6
Minority share		**1.0**		–
Provisions 19)				
Accelerated depreciation	**496.0**		435.4	
Voluntary provisions				
Investment provisions	**–**		2.7	
Transitional provisions	**122.7**		188.3	
	122.7	**618.7**	191.0	626.4
Creditors 13.20-24)				
Non-current				
Notes	**300.0**		–	
Loans from credit institutions	**32.4**		13.3	
Pension loans	**328.0**		335.9	
Other non-current liabilities	**1.5**		1.5	
	661.9		350.7	
Current				
Loans from credit institutions	**0.8**		–	
Pension loans	**25.2**		23.8	
Trade payables	**395.6**		374.1	
Accrued liabilities and deferred income	**279.6**		244.6	
Other current liabilities	**140.6**		161.9	
	841.8	**1 503.7**	804.4	1 155.2
		3 645.9		3 176.2

Financing, FIM million



Financing, %



Stockmann's funds statement (consolidated)

	1996 FIM million	1995 FIM million
Generated from operations		
Cash-flow financing		
Profit from operations before depreciation	**403.8**	340.4
Financial income and expenses	**24.5**	31.7
Extraordinary items	**0.1**	1.3
Income taxes	**-97.9**	-79.2
	330.5	294.2
Change in working capital		
Stocks		
increase (-), decrease (+)	**-148.9**	-36.1
Current trade receivables		
increase (-), decrease (+)	**-91.6**	-146.4
Non-interest bearing current liabilities		
increase (+)	**74.2**	81.8
	-166.3	-100.7
Cash flow from operations	**164.2**	193.5
Investments		
Investments in fixed assets	**-333.2**	-273.7
Gains on sales of fixed assets	**40.0**	
	-293.2	-273.7
Cash flow before financing	**-129.0**	- 80.2
Financing		
Non-current loans: increase (+)	**337.8**	70.9
Non-current loans: decrease (-)	**-24.4**	-23.6
Current loans: increase (+), decrease (-)	**-39.0**	32.4
Distribution of profit	**-101.2**	-86.8
Share subscription	**3.2**	–
Other changes in capital and reserves	**0.1**	-0.5
Other financial items	**0.9**	–
	177.4	-7.6
Liquid funds increase (+), decrease (-)	**48.4**	-87.8
Liquid funds as at January 1	**340.6**	428.4
Change	**48.4**	-87.8
Liquid funds as at December 31	**388.9**	340.6

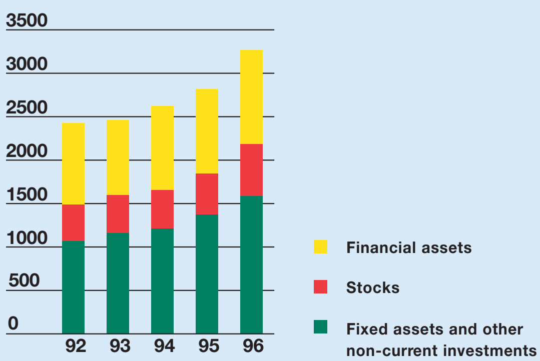
OY Stockmann AB profit and loss account (parent company)

	Jan.1 - Dec. 31, 1996	FIM million	Jan.1 - Dec. 31, 1995	FIM million	Change %
Turnover [1]		**4 622.6**		3 975.0	16.3
Other operating income [2]		**15.0**		–	
Costs:					
Raw materials and consumables: [3]					
Purchases during the financial period	**3 431.3**		2 795.6		
Increase in inventories	**-126.4**		-29.2		
Staff costs [4]	**682.7**		613.9		
Rents	**140.6**		134.0		
Other costs [5]	**260.2**	**4 388.5**	244.7	3 759.0	16.7
Profit from operations before depreciation		**249.1**		216.0	15.3
Depreciation on fixed assets and other capitalized expenditure [6]		**93.5**		79.2	18.1
Operating profit		**155.5**		136.8	13.7
Financial income and expenses: [7]					
Dividend income	**4.3**		4.6		
Interest income	**69.5**		64.9		
Other financial income	**5.6**		2.7		
Interest expenses	**-42.1**		-37.1		
Other financial expenses	**-1.2**	**36.1**	-8.1	27.0	33.8
Profit before extraordinary items, voluntary provisions and income taxes		**191.6**		163.8	17.0
Extraordinary income and charges: [8]					
Extraordinary income	**14.0**		1.3		
Extraordinary charges	**-13.9**	**0.1**	–	1.3	
Profit before voluntary provisions and income taxes		**191.7**		165.1	16.1
Increase in accelerated depreciation [6]		**-46.7**		-59.6	
Decrease in voluntary provisions		**49.4**		52.8	
Income taxes:					
For the period	**-55.8**		-39.2		
For previous periods	**–**	**-55.8**	1.9	-37.3	49.5
Profit for the period		**138.4**		120.9	14.5

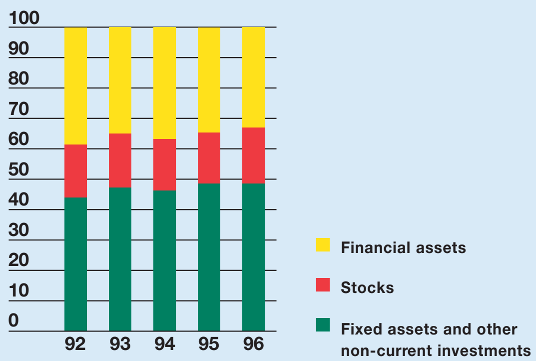
OY Stockmann AB balance sheet (parent company)

ASSETS	Dec.31, 1996 FIM million		Dec.31, 1995 FIM million	
Fixed assets and other non-current investments				
Intangible assets [9]				
Goodwill	**5.4**		–	
Other capitalized expenditure	**92.3**		74.5	
	97.8		74.5	
Tangible assets [9]				
Land and water	**53.3**		48.6	
Buildings	**711.0**		674.7	
Machinery and equipment	**224.6**		221.5	
Other tangible assets	**0.3**		0.3	
	989.2		945.1	
Financial assets [10.11]				
Bonds and shares	**476.9**		331.1	
Loan receivables	**22.0**		22.0	
	498.9	**1 585.9**	353.1	1 372.7
Current assets				
Stocks				
Raw materials and consumables	**597.5**		471.1	
Receivables [12-14]				
Trade receivables	**488.0**		461.6	
Loan receivables	**167.1**		177.0	
Prepaid expenses and accrued income	**56.4**		36.0	
Other receivables	**28.3**		21.4	
	739.8		696.0	
Investments [16]				
Bonds and other promissory notes	**312.8**		245.8	
Cash in hand and at bank	**28.3**	**1 678.4**	30.8	1 443.7
		3 264.3		2 816.4

Assets, FIM million

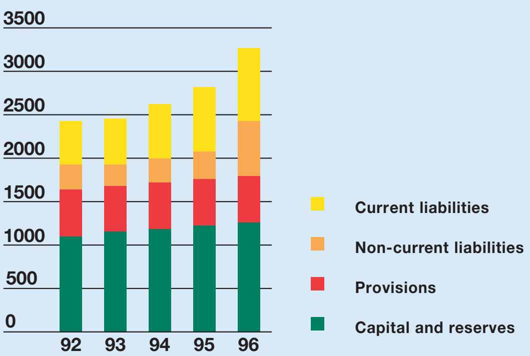


Assets, %

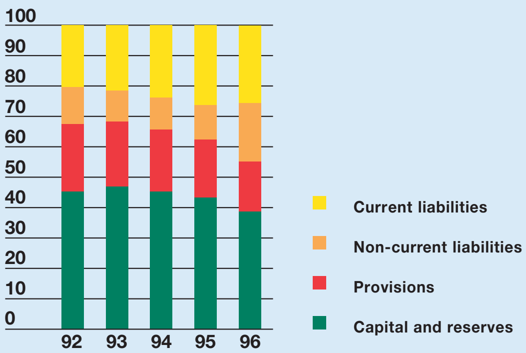


LIABILITIES	Dec.31, 1996 FIM million		Dec. 31, 1995 FIM million	
Capital and reserves [17,18]				
Restricted equity				
Series A shares	**165.8**		165.8	
Series B shares	**122.8**		122.5	
Total share capital	**288.6**		288.3	
Reserve fund	**363.3**		360.4	
Revaluation fund	**140.0**		140.0	
Distributable equity				
Contingency fund	**260.0**		260.0	
Retained earnings	**73.6**		53.9	
Profit for the period	**138.4**	**1 263.9**	120.9	1 223.5
Provisions [19]				
Accelerated depreciation	**426.1**		379.4	
Voluntary provisions				
Transitional provisions	**109.7**		159.1	
	109.7	**535.8**	159.1	538.5
Creditors [13.20-24]				
Non-current				
Notes	**300.0**		–	
Loans from credit institutions	**32.4**		13.3	
Pension loans	**294.0**		299.3	
Other non-current liabilities	**1.5**		1.5	
	627.9		314.1	
Current				
Loans from credit institutions	**0.8**		–	
Pension loans	**22.6**		21.1	
Trade payables	**287.6**		234.0	
Accrued liabilities and deferred income	**195.1**		163.9	
Other current liabilities	**330.5**		321.3	
	836.6	**1 464.5**	740.3	1 054.5
		3 264.3		2 816.4

Financing, FIM million



Financing, %



OY Stockmann AB funds statement (parent company)

	1996 FIM million	1995 FIM million
Generated from operations		
Cash-flow financing		
Profit from operations before depreciation	**249.1**	216.0
Financial income and expenses	**36.1**	27.0
Extraordinary items	**0.1**	1.3
Income taxes	**-55.8**	-37.3
	229.4	206.9
Change in working capital		
Stocks		
increase (-)	**-126.4**	-29.2
Current trade receivables		
increase (-)	**-43.8**	-121.8
Non-interest bearing current liabilities		
increase (+)	**132.9**	86.1
	-37.2	-64.9
Cash flow from operations	**192.1**	142.0
Investments		
Investments in fixed assets	**-346.8**	-238.6
Gains on sales of fixed assets	**40.0**	–
	-306.8	-238.6
Cash flow before financing	**-114.6**	-96.6
Financing		
Non-current loans: increase (+)	**337.8**	61.4
Non-current loans: decrease (-)	**-21.6**	-20.6
Current loans: increase (+), decrease (-)	**-39.0**	27.7
Distribution of profit	**-101.2**	-86.8
Share subscription	**3.2**	–
	179.1	-18.3
Liquid funds increase (+), decrease (-)	**64.5**	-114.9
Liquid funds as at January 1	**276.6**	391.4
Change	**64.5**	-114.9
Liquid funds as at December 31	**341.1**	276.6

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 company 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. 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 provisions of subsidiaries at the time of acquisition, 72% has been deemed to constitute equity. The remaining 28% is included under liabilities in the Consolidated Balance Sheet. In reducing the voluntary provision 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.

Subsidiaries abroad
The financial statement figures of foreign subsidiaries have been translated into Finnish markka at the official rate quoted by the Bank of Finland on the balance sheet date.

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

Stocks
Stocks are valued according to the principle of lowest value i.e., stocks are recorded in the balance sheet at acquisition cost or a lower repurchase price or the probable market price, whichever is lower. The cost of stocks is determined as being the variable expenses of acquisition in accordance with 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 as set as follows:
  - for goodwill and Group goodwill: 5 years
  - for other capitalized expenditures: 5-10 years
  - for buildings: 25-50 years
  - for machinery and equipment: 7-12 years
  - for lightweight store furnishings, motor vehicles and data processing equipment: 5 years,
- Booked depreciation, which is based on tax legislation.

The difference between booked and planned depreciation is stated as an increase or decrease in the accelerated depreciation shown in the profit and loss account. In the balance sheet, the accelerated difference between planned and booked depreciation is shown under Provisions on the liabilities side of the balance sheet.

Notes to the financial statements

Profit and loss account

1 Turnover

Of the turnover of the Department Store Division and Hobby Hall, Russia accounted for FIM 234.4 million in 1996 and FIM 250.3 million in 1995, and Estonia for FIM 171.2 million in 1996 and FIM 70.2 million in 1995. International operations generated a total of 6.6% of Stockmann's turnover in 1996 and 6.1% in 1995. Credit losses and freight charges on sales have been stated in other expenses since 1996 and the figures for previous years have been changed accordingly.

2 Other operating income

Other operating income includes a FIM 15.0 million gain on the sale of Tuko Oy and Helsingin Keskus-tukku Oy shares.

3 Gross margin

	Group 1996		Group 1995		**Parent company 1996**		Parent company 1995	
	FIM mill.	%	FIM mill.	%	FIM mill.	%	FIM mill.	%
Turnover	**6 164.5**	**100.0**	5 213.8	100.0	**4 622.6**	**100.0**	3 975.0	100.0
Raw materials and consumables	**4 263.3**	**69.2**	3 525.8	67.6	**3 304.9**	**71.5**	2 766.4	69.6
Gross margin	**1 901.2**	**30.8**	1 688.0	32.4	**1 317.6**	**28.5**	1 208.6	30.4
Other operating income	**15.0**	**0.2**	–	–	**15.0**	**0.3**	–	–

4 Staff costs

	Group		Parent company	
FIM million	**1996**	1995	**1996**	1995
Salaries and emoluments paid to the boards of directors and managing directors	**3.7**	3.6	**1.8**	1.7
Other wages and salaries	**645.9**	592.8	**518.5**	484.4
Statutory salary-related expenses				
Pension insurance	**94.8**	81.8	**74.4**	63.1
Other statutory salary-related expenses	**89.1**	68.6	**75.5**	52.0
Voluntary salary-related expenses	**16.7**	15.8	**12.5**	12.7
Total	**850.2**	762.8	**682.7**	613.9
Taxation value of fringe benefits	**7.0**	5.7	**6.3**	5.1

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.

5 Other costs

	Group		Parent company	
FIM million	**1996**	1995	**1996**	1995
Marketing expenses	**167.7**	138.8	**72.0**	64.0
Warehouse, packaging and transportation	**18.3**	16.4	**12.7**	11.1
Freight charges on sales	**40.4**	36.8	**–**	–
Repairs	**23.3**	21.9	**18.3**	17.4
Electricity, heating and fuel	**24.3**	21.6	**20.1**	18.3
Travel and conferences	**17.3**	15.6	**12.9**	11.7
Real-estate maintenance	**42.3**	35.8	**33.2**	30.0
Post and telecommunications	**21.5**	17.3	**14.2**	11.9
Credit losses	**9.6**	9.6	**3.4**	3.4
Other expense items	**91.6**	74.3	**73.5**	76.8
Total	**456.2**	388.1	**260.2**	244.7

6 Planned depreciation

	Group		Parent company	
FIM million	**1996**	1995	**1996**	1995
Planned depreciation				
Goodwill			**0.4**	–
Other capitalized expenditure	**19.8**	16.3	**18.3**	14.7
Buildings	**17.5**	14.3	**14.7**	11.5
Machinery and equipment	**74.1**	61.3	**60.1**	53.1
	111.4	91.8	**93.5**	79.2
Group goodwill	**1.0**	–		
Total	**112.4**	91.8	**93.5**	79.2

Notes to the financial statements

FIM million	Group 1996	Group 1995	Parent company 1996	Parent company 1995
Change in accelerated depreciation				
Profit and loss account				
Goodwill			**0.4**	–
Other capitalized expenditure	**10.5**	3.7	**9.2**	1.5
Buildings	**39.4**	59.3	**40.0**	56.0
Machinery and equipment	**10.7**	7.1	**-2.8**	2.1
Total	**60.6**	70.1	**46.7**	59.6

FIM million	1996	1995
Planned depreciation		
OY Stockmann AB	**93.5**	79.2
Oy Hobby Hall Ab	**6.3**	5.8
Sewex Oy Seppälä	**7.6**	5.2
Suomen Pääomarahoitus Oy	**1.1**	0.9
Kiinteistö Oy Vantaan Rasti	**1.1**	0.8
Stockmann AS	**2.5**	–
A/O Kalinka-Stockmann	**0.1**	0.0
Others	**0.2**	0.0
Total in Group income statement	**112.4**	91.8

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:

Goodwill and Group goodwill	5 years
Other capitalized expenditure	5-10 years
Buildings	25-50 years
Machinery and equipment	5-12 years

7 Financial income and expenses

Internal income and expenses of the Group

FIM million	Parent company 1996	Parent company 1995
Financial income from Group companies		
Interest income on long-term investment	**1.4**	1.6
Interest income on short-term investment	**3.7**	2.5
Financial expenses paid for Group companies		
Interest expenses	**8.7**	8.6

Interest income
Interest income includes FIM 45.0 million of interest income on interest-bearing trade receivables and leasing of fixed asset property in 1996 and FIM 35.7 million in 1995.

Other financial expenses
Other financial expenses include foreign exchange losses on treasury operations in 1996 of FIM 3.9 million and foreign exchange gains of FIM 2.9 million. The corresponding figures for 1995 were FIM 4.7 million and FIM 3.7 million.
Other financial expenses in 1996 also include a FIM 6.0 million monetary item correction due to the consolidation method applied to subsidiaries in Russia and resulted from the financing of the cumulative losses in 1994 and 1995 by means of a FIM-denominated loan granted by the parent company.

8 Extraordinary income and charges

FIM million	Group 1996	Group 1995	Parent company 1996	Parent company 1995
Profit on sale of fixed assets	**14.0**	1.3	**14.0**	1.3
Write-down on shares held in fixed assets	**-13.9**	–	**-13.9**	–
Total	**0.1**	1.3	**0.1**	1.3

Balance sheet

9 Intangible and tangible assets

FIM million	Group 1996	Group 1995	Parent company 1996	Parent company 1995
Group goodwill				
Cost Jan.1	**–**	–		
Increases Jan.1-Dec.31	**7.0**	–		
Decreases Jan.1-Dec.31	**–**	–		
Cost Dec.31.	**7.0**	–		
Accelerated planned depreciation Dec.31	**1.0**	–		
Book value Dec.31	**6.0**	–		
Goodwill				
Cost Jan.1				–
Increases Jan.1-Dec.31			**6.3**	–
Decreases Jan.1-Dec.31			**–**	–
Cost Dec.31			**6.3**	–
Accelerated planned depreciation Dec.31			**0.8**	–
Book value Dec.31			**5.4**	–
Accelerated difference between total and planned depreciation Jan.1			**–**	–
Increase in accelerated depreciation Jan. 1-Dec. 31			**0.4**	–
Accelerated difference between total and planned depreciation Dec.31			**0.4**	–
Other capitalized expenditure				
Cost Jan.1	**130.9**	113.5	**114.1**	99.4
Increases Jan.1-Dec.31	**40.7**	26.4	**35.7**	22.1
Decreases Jan.1-Dec.31	**7.5**	9.0	**5.7**	7.4
Cost Dec.31	**164.1**	130.9	**144.1**	114.1
Accelerated planned depreciation Dec.31	**59.0**	45.8	**51.8**	39.6
Book value Dec.31	**105.1**	85.2	**92.3**	74.5
Accelerated difference between total and planned depreciation Jan.1	**11.1**	7.4	**5.4**	3.9
Increase in accelerated depreciation Jan. 1-Dec. 31	**10.5**	3.7	**9.2**	1.5
Accelerated difference between total and planned depreciation Dec.31	**21.6**	11.1	**14.6**	5.4
Land and water				
Cost Jan.1	**102.5**	86.0	**48.6**	51.7
Increases Jan.1-Dec.31	**5.0**	16.5	**4.8**	1.2
Decreases Jan.1-Dec.31.	**0.1**	–	**0.0**	4.4
Book value Dec.31	**107.5**	102.5	**53.3**	48.6
Buildings				
Cost Jan.1	**857.7**	719.9	**774.0**	636.2
Increases Jan.1-Dec.31	**61.1**	137.8	**50.0**	137.8
Cost Dec.31	**918.8**	857.7	**824.0**	774.0
Accelerated planned depreciation Dec.31	**135.9**	108.2	**112.9**	99.3
Book value Dec.31	**782.9**	749.4	**711.0**	674.7
Accelerated difference between total and planned depreciation Jan.1	**327.8**	268.5	**293.0**	237.0
Increase in accelerated depreciation Jan. 1-Dec. 31	**39.4**	59.3	**40.0**	56.0
Accelerated difference between total and planned depreciation Dec.31	**367.1**	327.8	**332.9**	293.0
Machinery and equipment				
Cost Jan.1	**514.4**	457.4	**442.5**	396.7
Increases Jan.1-Dec.31	**125.0**	89.5	**81.6**	66.3
Decreases Jan.1-Dec.31	**57.3**	32.6	**49.5**	20.5
Cost Dec.31	**582.1**	514.4	**474.6**	442.5
Accelerated planned depreciation Dec.31	**289.3**	251.7	**250.0**	221.0
Book value Dec.31	**292.8**	262.7	**224.6**	221.5
Accelerated difference between total and planned depreciation Jan.1	**96.5**	89.4	**81.0**	78.9
Increase in accelerated depreciation Jan. 1-Dec. 31	**10.7**	7.1	**-2.8**	2.1
Accelerated difference between total and planned depreciation Dec.31	**107.2**	96.5	**78.2**	81.0
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

Notes to the financial statements

Revaluation included in balance sheet values

FIM million	Group 1996	Group 1995	Parent company 1996	Parent company 1995
Land and water	**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 1995	Group 1994	Parent company 1995	Parent company 1994
Taxation values				
Land and water	**365.3**	342.6	**358.1**	329.7
Shares in subsidiaries	**-**	-	**287.0**	210.9
Other shares	**161.4**	99.7	**153.9**	94.6
Buildings				
Taxation values	**155.0**	145.6	**112.6**	101.5
Fire insurance values	**1 472.0**	1 290.1	**1 352.9**	1 195.1

10 Bonds and shares

Parent company holdings	Number	Proportion of votes %	Holding %		Par value million units	Book value FIM mill.	Net profit FIM mill.	Equity FIM mill.
Shares in subsidiaries								
A/O Kalinka-Stockmann	1 000	100.0	100.0	RUR	65600.00	55.72	-13.20	3.94
A/O Stockmann-Krasnoselskaja	100	100.0	100.0	RUR	55.00	0.05	0.00	0.00
Aspius Oy	100	100.0	100.0	FIM	0.02	4.35	0.00	1.80
Espoon Autotalo Oy	51	51.0	51.0	FIM	0.01	1.10	2.74	0.19
Kiinteistö Oy Friisinkeskus	1 000	100.0	100.0	FIM	0.05	0.05	0.00	0.88
Kiinteistö Oy Vantaan Rasti	388	100.0	100.0	FIM	3.00	29.26	0.04	26.44
Kiinteistö Oy Vantaan Valimotie	500 000	100.0	100.0	FIM	5.00	5.00	0.01	4.83
Oy Hobby Hall Ab	120 000	100.0	100.0	FIM	60.00	111.79	37.42	202.99
Oy Hullut Päivät-Galna Dagar Ab	10	100.0	100.0	FIM	0.02	0.02	0.00	0.02
Oy Suomen Pääomarahoitus-Finlands Kapitalfinans Ab	1 000	100.0	100.0	FIM	10.00	10.00	0.00	12.75
Sewex Oy Seppälä	30 000	100.0	100.0	FIM	30.00	30.00	57.44	219.13
Stockmann AS	18 000	100.0	100.0	EEK	18.00	6.75	-2.06	4.66
TF-Autokeskus Oy	151	51.0	51.0	FIM	0.03	1.10	3.12	1.91
Upper Limit Oy	100	100.0	100.0	FIM	0.15	9.65	0.01	3.18
Shares in subsidiaries, total						264.83	85.52	482.71

	Number	Holding %	Par value million units	Book value FIM mill.
Other bonds and shares				
Aktia Saving Bank Ltd.	295 900	0.9	3.55	4.10
Asunto Oy Albertinkatu 28	238	1.0	0.01	0.56
Asunto Oy Eino Leinonkatu 7	1 583	25.0	2.69	8.53
Asunto Oy Harjula	2	2.0	0.00	0.52
Helsinki Stock Exchange Ltd.	20 000	0.6	0.20	0.16
Helsinki Telephone Company	412	0.0	0.04	1.02
Helsinki Halli Oy	1	0.3	0.10	1.05
Kesko Oy	1 267 000	1.0	12.67	50.19
Kiinteistö Oy Raitinkartano	998	0.2	0.50	33.51
Kirjavälitys Oy	32 963	14.0	0.82	1.12
Merita Oy, Series A	500 000	0.1	5.00	7.83
MTV Oy	400	1.0	0.20	1.12
NCC AB, Series B	14 000	0.0	SEK 0.35	0.36
Oy Kamppiparkki Ab	34	4.9	0.68	6.29
Partek Oy Ab	38 966	0.1	0.39	4.60
Pitäjänmäen Kiinteistöt Oy	10 360	19.5	62.16	63.75
Polar Corporation	3 627 100	3.1	36.27	22.31
Sijoitusrahasto Investa-Obligaatio	59 559	3.6	5.96	2.56
Central Share Register of Finland Cooperative	6	1.3	0.42	0.42
Sampo Insurance Company Ltd.	12 829	0.1	0.26	1.05
Werner Söderström Oy, Series B	9 018	0.1	0.09	0.14
Others				0.82
Other bonds and shares, total				212.00
Total				476.83

Notes to the financial statements

Subsidiaries' holdings	Number	Proportion of votes %	Holding %	Par value FIM mill.	Book value FIM million	Net profit FIM mill.	Equity FIM mill.
Share 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	0.00	0.00	0.0	0.0
Share in subsidiaries, total					0.02	0.0	0.0
Other shares							
Arabian Kiinteistö Oy	4 254		42.2	0.09	12.22		
Arabian Pienteollisuustalo Oy	1 590		12.0	0.01	5.92		
Orion Corporation	3 222		0.0	0.02	0.20		
Helsinki Telephone Company	150		0.0	0.02	0.55		
Sampo Insurance Company Ltd.	591		0.0	0.01	0.13		
As. Oy Rukantykky	110		7.0	0.00	0.76		
Others					0.61		
Other shares, total					20.39		
Total					20.41		

The book value of the shares owned by the parent company and the subsidiaries total FIM 232.6 million and their market value is FIM 272.0 million.

Changes in the Group structure
The subsidiary Stockmann AS was established in Estonia at the end of 1995. Since 1996 the company has been engaged in the mail order sales of Hobby Hall's products and since April 1996 in department store operations as well as in running the Seppälä store. In April 1996, 51 per cent holdings were acquired in the car dealerships TF-Autokeskus Oy and Espoon Autotalo Oy at a sale price of FIM 2.2 million.

11 Long-term investment in subsidiaries by parent company

FIM million	Parent company 1996	1995
Shares	**264.8**	205.1
Loan receivables	**22.0**	22.0
Total	**286.8**	227.1

12 Receivables

Receivables falling due in one year or more

FIM million	Group 1996	1995	Parent company 1996	1995
Loan receivables	**10.7**	14.5	**10.7**	14.5
Other receivables	**21.2**	27.9	**21.1**	26.4
Total	**31.9**	42.4	**31.8**	40.9

13 Receivables and debts from Group companies

FIM million	Parent company 1996	1995
Loan receivables	**152.3**	160.8
Other current liabilities	**198.6**	147.2

14 Receivables from members of the boards of directors and managing directors

The managing directors and members of the boards of Group companies have been granted loans in a total amount of FIM 2.8 million (FIM 2.8 million in 1995).
The loan periods range from 5 to 15 years and the interest rate is pegged to the Bank of Finland base rate.

15 Interest bearing receivables

FIM million	Group 1996	1995
Trade receivables	**497.1**	415.5
Loan receivables	**12.6**	15.1
Total	**509.7**	430.6

Trade receivables include FIM 274.0 million of one-time credits on mail order sales in 1996 and FIM 209.9 million in 1995. The interest income on these receivables is entered in turnover instead of in interest income because it is included in the sale price.

Notes to the financial statements

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

FIM million	Group 1996	Group 1995	Parent company 1996	Parent company 1995
Market value Dec. 31	**313.1**	251.7	**313.1**	251.7
Book value Dec. 31	**312.8**	245.8	**312.8**	245.8
Difference	**0.3**	6.0	**0.3**	6.0

17 Change in capital and reserves

FIM million	Group 1996	Group 1995	Parent company 1996	Parent company 1995
Share capital				
Series A shares Jan. 1	**165.8**	165.8	**165.8**	165.8
Series A shares Dec. 31	**165.8**	165.8	**165.8**	165.8
Series B shares Jan. 1	**122.5**	122.5	**122.5**	122.5
Subscriptions with warrants	**0.3**	0.0	**0.3**	0.0
Series B shares Dec. 31	**122.8**	122.5	**122.8**	122.5
Share capital, total	**288.6**	288.3	**288.6**	288.3
Reserve fund Jan. 1	**360.4**	360.4	**360.4**	360.4
Subscriptions with warrants	**2.9**	0.0	**2.9**	0.0
Formed in Russia	**8.2**	–		
Reserve fund Dec. 31	**371.5**	360.4	**363.3**	360.4
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	**800.1**	788.7	**791.9**	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
Other distributable equity Jan.1	**346.0**	240.7	**174.8**	140.7
Distribution of profit	**-101.2**	-86.8	**-101.2**	-86.8
Effect on equity of reduction in the tax rate applied in consolidation	**–**	-0.6	–	–
Profit for the period	**217.6**	192.5	**138.4**	120.9
Translation difference	**0.0**	0.1	–	–
Other distributable equity Dec.31	**462.3**	346.0	**212.1**	174.8
Other distributable equity, total	**722.3**	606.0	**472.1**	434.8
Capital and reserves, total	**1 522.4**	1 394.6	**1 263.9**	1 223.5

18 Share capital, December 31,1996

Par value, FIM 20	Parent company shares
Series A shares (ten votes each)	8 289 631
Series B shares (one vote each)	6 139 979
Total	14 429 610

19 Provisions

According to a 28% tax rate, the deferred tax liability on voluntary provisions and accelerated depreciation in the Consolidated Balance Sheet was FIM 173.2 million as at December 31, 1996 and at a tax rate of 28% it was FIM 175.4 million on December 31, 1995.

FIM million	Group 1996	Group 1995	Parent company 1996	Parent company 1995
Investment provisions Jan.1	**2.7**	10.2	**–**	–
Used in investments	**-2.7**	-7.5	**–**	–
Investment provisions Dec.31	**0.0**	2.7	**–**	–
Transitional provisions Jan.1	**188.3**	241.1	**159.1**	211.9
Used in investments	**65.6**	52.8	**49.4**	52.8
Transitional provisions Dec.31	**122.7**	188.3	**109.7**	159.1
Total	**122.7**	191.0	**109.7**	159.1

20 Notes
In October 1996 a FIM 300 million note was issued which had a fixed nominal rate of interest of 5.5%. The notes will be paid back in a bullet payment in October 2000.

21 Bonds with warrants
In 1994 a FIM 1.5 million issue of bonds with warrants targeted at 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. During 1996, 15 000 Series B shares were subscribed with the A warrants attached to the bonds. These shares increased the share capital by FIM 0.3 million and the reserve fund by FIM 2.9 million.The remaining warrants A, B and C confer the right to subscribe Series B shares as follows: with warrant A, 75 000 shares from January 2 to October 31, 1997 at a price of FIM 226.67 each or from January 2 to April 12, 1998 at a price of FIM 240.00 each, and with warrant B, 90 000 shares from January 2 to October 31, 1997 at a price of FIM 227.67 each or from January 2 to April 12, 1998 at a price of FIM 240.00 each, and with warrant C, 90 000 shares from January 2 to April 12, 1998 at a price of FIM 240.00 each.

22 Loans with maturities longer than five years

	Group		Parent company	
FIM million	**1996**	1995	**1996**	1995
Pension loans	**242.8**	250.3	**217.3**	223.9
Other loans	**15.6**	–	**15.6**	–
Total	**258.4**	250.3	**232.9**	223.9

23 Other current liabilities
Other current liabilities included FIM 89.8 million of interest-bearing borrowed capital in 1996 and a corresponding amount of FIM 128.8 million in 1995.

24 Interest-bearing net liabilities

	Group	
FIM million	**1996**	1995
+ Non-current liabilities	**661.9**	350.7
+ Current liabilities	**115.8**	150.1
- Trade receivables	**497.1**	415.5
- Loan receivables	**12.6**	15.1
- Investments	**312.8**	245.8
- Cash in hand and at bank	**76.2**	94.8
Total	**-121.0**	-270.4

25 Pledges and mortgages given for loans, guarantees and contingent liabilities

	Group		Parent company	
FIM mill.	**1996**	1995	**1996**	1995
For loans of the company				
Mortgages on land and buildings	**381.9**	366.3	**316.6**	320.4
For liabilities of a Group company				
Mortgages on land and buildings			**25.3**	21.1
Guarantees			**22.0**	28.4
Pledges	**20.7**	0.3	**20.4**	–
On behalf of others				
Guarantees	**–**	1.4	**–**	1.4
Other contingent liabilities				
Leasing commitments [1)]	**7.5**	2.3	**6.7**	2.3
Other commitments	**78.5**	1.0	**71.0**	1.0
Total				
Mortgages on land and buildings	**381.9**	366.3	**341.9**	341.5
Guarantees	**0.0**	1.4	**22.0**	29.8
Pledges	**20.7**	0.3	**20.4**	–
Other commitments	**86.0**	3.3	**77.7**	3.3
Total	**488.6**	371.3	**461.9**	374.6

[1)] Leasing commitments from 1998 onward total FIM 3.5 million.

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

27 Derivative contracts and management of financing risks
Management of financing risks
The purpose of Stockmann's management of financing risks is to minimize the negative effect of foreign exchange, interest rate, credit and liquidity risks on the Group's net profit, shareholders' equity and cash assets. Management of financing risks is handled on a centralized basis by the Treasury Department of Group Administration. The principles of risk management have been determined by the Board of Directors of OY Stockmann AB. Reports on financing risks are submitted to the Board of Directors quarterly and to management monthly.

Foreign exchange risk
Stockmann's foreign exchange risk consists of purchases made in foreign currency, the most important purchasing currencies being the USD, GBP, ITL and DEM, as well as in USD and EEK-denominated sales.
Management of foreign exchange risk is based on monitoring the foreign exchange position for each currency against the Finnish markka. The foreign exchange position consists of the net foreign exchange flows for the coming 12 months. In hedging against foreign exchange risk, the Treasury Department uses forward exchange contracts and options. The foreign exchange risk of investments made in international units is hedged separately from the foreign exchange flows.

Interest rate risk
Stockmann's interest rate risk results from the effect of interest rate changes on the value of investments and also via future interest rate changes in receivables and liabilities, i.e. repricing. In managing interest rate risk, the ratio between receivables and liabilities is monitored in different interest periods. In hedging against interest rate risk, forward rate agreements and options as well as interest rate swaps are used.

Credit risk
Credit risk is managed by making agreements only with the leading banks, financial institutions and brokers and by investing cash assets only in selected debt instruments of counterparties.

Derivative contracts

	Value of underlying asset		Market value	
FIM million	**1996**	1995	**1996**	1995
Interest rate derivatives				
Forward contracts	**2 417.0**	3 100.0	**+0.5**	+1.5
Interest rate swaps	**50.0**	140.0	**+0.8**	+6.6
Foreign exchange derivatives				
Forward contracts	**78.8**	223.0	**+0.3**	+0.9
Option contracts				
Bought	**36.9**	-	**+0.3**	-
Sold	**33.2**	-	**+0.0**	-

The bulk of the derivative contracts are closed contracts whose market value will no longer change.

The principles observed in calculating market value

Forward rate agreements
Forward rate agreements are valued at their market values on the balance sheet date.

Interest rate swaps
The market value of interest rate swaps is estimated on the basis of the present value of future cash flows.

Foreign currency options and forward exchange contracts
Foreign currency options and forward exchange contracts are valued at the market values on the balance sheet date.

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

The company's shares are in the book-entry system. At the closing of the books, 99.81 per cent of the company's shares outstanding had been registered in the book-entry system. There were approximately 11 000 shareholders as at 31 December 1996.

Share capital of OY Stockmann AB at 31 December 1996

Series A:
8 289 631 shares at FIM 20 each = FIM 165 792 620
Series B:
6 139 979 shares at FIM 20 each = FIM 122 799 580
Total:
14 429 610 shares at FIM 20 each = FIM 288 592 200

During 1996, 15 000 Series B shares were subscribed with warrant A, thereby increasing the share capital by FIM 3 200 100 to FIM 288 592 200, and the total amount of Series B shares issued and outstanding is 6 139 979.

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.

Trend in Stockmann's share price

During the financial year the prices of shares traded on the Helsinki Stock Exchange rose by 46.5 per cent as measured by the general index. The index for the Other services category rose by 40.5 per cent.

The last traded price of Stockmann's Series A shares during the financial year was FIM 280, representing an increase of 12.90 per cent since the start of the financial year. The last sale of Series B shares was made at a price of FIM 275, which was 21.14 per cent higher than at the beginning of the financial year.

Share turnover

Shares of OY Stockmann AB were traded on the Helsinki Stock Exchange as follows during the financial year:

Number	% of respective total	FIM	Average price FIM
Series A			
563 869	6.80	147 425 685	261.45
Series B			
1 928 313	31.41	467 243 098	242.31
Total			
2 492 182	17.27	614 668 783	

The total value of the shares traded was FIM 614.7 million, representing 0.6 per cent of the share turnover in the Helsinki Stock Exchange.

The market capitalization of the company as at 31 December 1996 was FIM 4 009 million.

Changes in the share capital 1992 - 1997

1993

A targeted issue. Retailer-owned Wholesale Corporation Kesko subscribed 87 000 Series A shares at a price of FIM 172.48 and 104 000 Series B shares at a price of FIM 144.36 each. The increase in the share capital during the issue was FIM 3 820 000. After the share issue, the share capital was FIM 192 194 800.

1994

Issue of bonds. The company floated a FIM 1.5 million issue of bonds with warrants, which will be repaid, according to the terms and conditions of the issue, in one instalment on 12 April 1998. Annual interest payable on the loan is one percentage point below the 12-month Helibor interest rate quoted by the Bank of Finland. The warrants A of the bond issue were used to subscribe 15 000 Series B shares in 1996.The effect of these shares on the share capital was FIM 300 000 and they added FIM FIM 2 900 100 to the Reserve fund. The remaining A, B and C warrants entitle their holders to subscribe Series B shares as follows: with warrant A 75 000, from 2 January to 31 October 1996 at a price of FIM 213.34, from 2 January to 31 October 1997 at a price of FIM 226.67, from 2 January to 31 October, 1998 at a price of FIM 240.00 and with warrant B 90 000, from 2 January to 31 October 1996 at a price of FIM 226.67 or from 2 January to 31 October 1997 at a price of FIM 240.00, and with warrant C 90 000, from 2 January to 12 April 1998 at a price of FIM 240.00. The subscribed shares entitle their holders to a dividend for the entire year during which they were subscribed. If all 255 000 Series B shares under the issue of bonds with warrants are subscribed, the effect of the issue on the share capital will be a total of FIM 5 100 000, whereby the entire share capital will be FIM 293 692 200. In this case the number of Stockmann Series A shares would be 8 289 631 and the number of Series B shares would be 6 394 979 in 1998.

Bonus issue. One new Series B share free of charge for two old Series A and/or Series B shares. The increase in share capital via the bonus issue was FIM 96 097 400. Following the share issue, the share capital totalled FIM 288 292 200.

1997

Issue of bonds with warrants. The Board of Directors of OY Stockmann AB resolved at its meeting of March 13, 1997, to propose to the Annual General Meeting to be held on April 15, 1997, that an issue of bonds with warrants be offered for subscription by key employees of the company and its subsidiaries or other persons designated by the Board of Directors as a part of the key employees' incentive scheme. The amount of the bonds with warrants is FIM 360 000 and the maturity is three years. The bonds pay no interest. The warrants attached to the bonds entitle their holders to subscribe a total of 360 000 of the company's Series B shares. The subscription price of one share is FIM 320, which clearly exceeds the market price. Dividends paid after May 1, 1997 will be subtracted from the subscription price. The share subscription period will begin at intervals on April 1, 2000, April 1, 2001 and April 1, 2002. The share subscription period for the exercise of all warrants will end on January 31, 2004.

Shareholders on February 28, 1997

The figures are based on data in the book-entry register and accordingly there are 26 976 unregistered shares on which information is lacking.

SHAREHOLDER GROUPS

	Shareholders		Shares
	No	%	%
Private persons	10 440	94.5	18.4
Joint stock and other companies	316	2.9	26.5
Foundations and other corporate bodies	239	2.2	47.5
Foreign companies and corporate bodies	50	0.4	7.4
Unregistered shares			0.2
Total	**11 045**	**100.0**	**100.0**

SHAREHOLDERS BY NUMBER OF SHARES OWNED

Number of shares	Shareholders		Shares
	No	%	%
1 - 100	5 490	49.7	1.8
101 - 1 000	4 991	45.2	9.4
1 001 - 10 000	485	4.4	8.8
10 001 - 100 000	57	0.5	12.3
100 001 -	22	0.2	67.7
Total	**11 045**	**100.0**	**100.0**

MAJOR SHAREHOLDERS ON FEBRUARY 28,1997

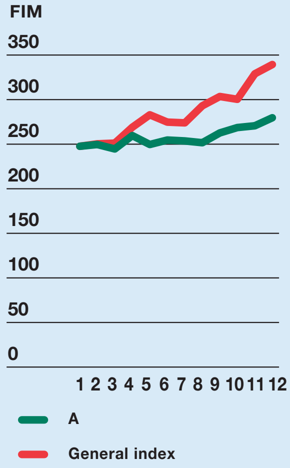
		Shares %	Votes %
1.	The Society for Promotion of the Arts	12.87	14.71
2.	Etola companies	8.09	10.48
3.	The Society of Swedish Literature in Finland*	6.56	10.42
4.	Stiftelsen för Åbo Akademi (foundation)	5.09	5.78
5.	Niemistö Group	6.06	5.61
6.	Pension Varma Mutual Insurance Company	3.88	4.21
7.	Sampo Insurance Company Ltd. + Industrial Insurance	3.03	3.37
8.	Merita Group	1.88	3.00
9.	Jenny ja Antti Wihurin Rahasto (fund)	2.48	2.82
10.	Wilhelm och Else Stockmanns Stiftelse (foundation)	1.75	2.46
11.	Samfundet Folkhälsan i Svenska Finland (The public health association Folkhälsan)	1.71	1.82
12.	Stiftelsen Bensows Barnhem Granhyddan (foundation)	1.52	1.75
13.	Helene och Walter Grönqvists Stiftelse (foundation)	1.19	1.59
14.	Stiftelsen Brita Maria Renlunds minne (foundation)	0.85	0.97
15.	William Thurings Stiftelse (foundation)	0.60	0.86
16.	Sigrid Juselius Stiftelse (foundation)	0.75	0.85
17.	Pensionfoundation Polaris	0.53	0.56
18.	Katja Kuistila	0.33	0.53
19.	Kaj Kuistila	0.33	0.53
20.	Pension Insurance Company Ilmarinen Ltd.	3.19	0.52

** Share of votes exceeded the 10% limit on February 13, 1997, according to information received.*

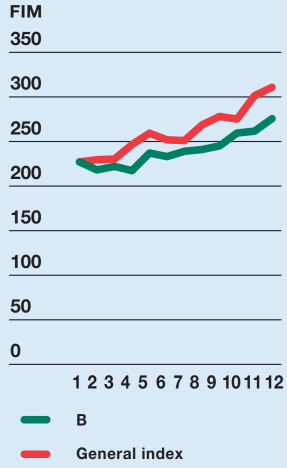
The Board members, the managing director and the deputy managing directors own a total of 32 002 shares representing 0.22% of the shares outstanding and carrying 0.25% of the total voting rights as at December 31, 1996.

Share graphs

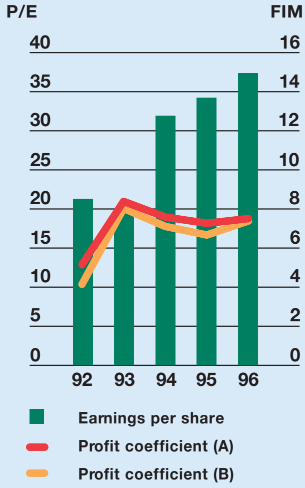
Series A share price trend 1996



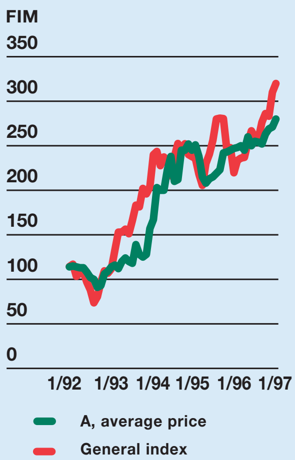
Series B share price trend 1996



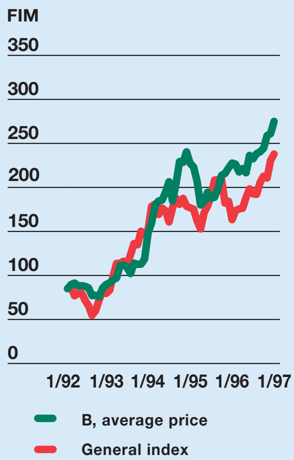
Earnings per share and P/E ratio 1992-1996 (adjusted for share issues)



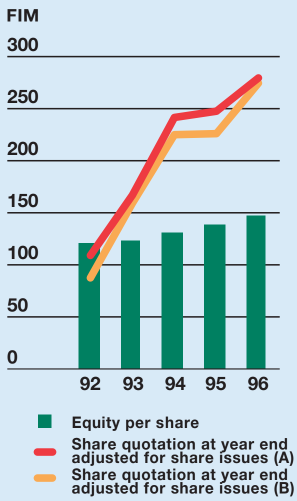
Series A share price trend 1992-1996 (adjusted for share issues)



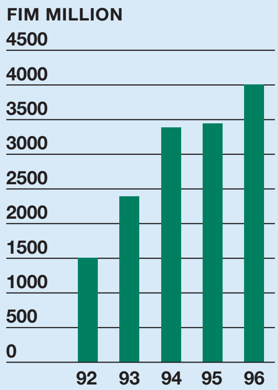
Series B share price trend 1992-1996 (adjusted for share issues)



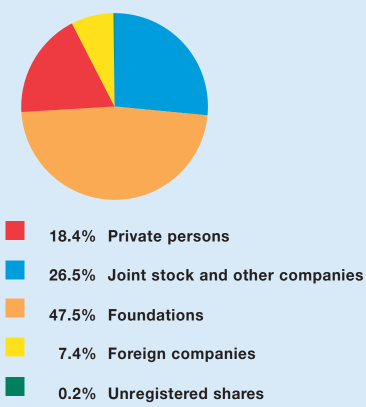
Equity per share and share price 1992-1996



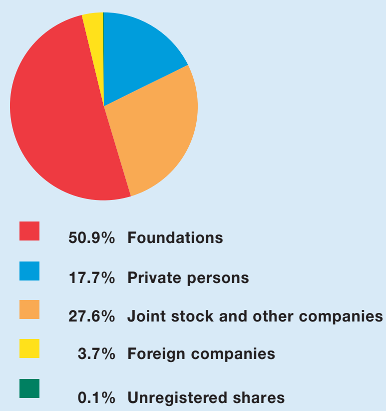
Market capitalization 1992-1996



Distribution of shares



Distribution of votes



Key figures and per share data

Key figures

	1992	1993	1994	1995	**1996**
Turnover	3 282.1	3 712.6	4 556.6	5 213.8	**6 164.5**
Operating profit	91.6	106.7	216.9	248.5	**291.4**
% of turnover	2.8	2.9	4.8	4.8	**4.7**
Profit before extraordinary items. voluntary provisions and income taxes	147.2	160.2	246.9	280.3	**315.9**
% of turnover	4.5	4.3	5.4	5.4	**5.1**
Profit before voluntary provisions and taxes	147.7	135.1	246.9	281.6	**316.0**
% of turnover	4.5	3.6	5.4	5.4	**5.1**
Return on equity I	7.2	6.5	9.8	10.2	**10.5**
Return on equity II	8.1	7.2	10.7	11.2	**11.4**
Return on investments	9.5	9.2	12.7	13.2	**13.3**
Equity ratio I	65.5	67.1	65.7	63.6	**58.8**
Equity ratio II	59.4	61.3	60.4	58.1	**54.0**
Investments in fixed assets	144.7	185.2	132.9	273.7	**333.2**
% of turnover	4.4	5.0	2.9	5.2	**5.4**
Balance sheet total	2 624.1	2 657.6	2 899.7	3 176.2	**3 645.9**
Personnel, average	4 952	4 912	5 248	6 015	**6 589**

Per share data[1]

	1992	1993	1994	1995	**1996**
Earnings per share, FIM	8.53	8.01	12.58	13.95	**14.94** *
Equity per share, FIM I	121.59	123.66	132.23	140.21	**148.38**
Equity per share, FIM II	110.39	113.02	121.53	128.04	**136.37**
Dividend per share, FIM	3.33	4.00	6.00	7.00	**7.50** **
Dividend per earnings, %	39.0	49.9	47.7	50.2	**50.2** **
Effective yield of shares, %					
- Series A	3.1	2.4	2.5	2.8	**2.5** **
- Series B	3.8	2.5	2.7	3.1	**2.6** **
P/E-ratio for shares					
- Series A	12.8	20.9	19.2	17.8	**18.7** *
- Series B	10.3	20.0	17.9	16.2	**18.4** *
Share quotation on December 31, FIM					
- Series A	109.33	167.33	242.00	248.00	**280.00**
- Series B	88.00	160.00	226.00	227.00	**275.00**
Highest price during the period, FIM					
- Series A	180.00	258.00	323.00	262.00	**280.00**
- Series B	93.33	160.00	206.67	240.00	**275.00**
Lowest price during the period, FIM					
- Series A	132.00	163.00	200.00	195.00	**229.00**
- Series B	72.00	86.67	116.67	172.00	**214.00**
Average price during the period, FIM					
- Series A	159.00	191.50	258.99	230.84	**261.45**
- Series B	86.67	115.65	163.88	207.97	**242.31**
Share turnover					
- Series A	440 725	1 367 511	1 085 863	741 570	**563 869**
- Series B	687 747	1 049 650	1 856 714	2 081 793	**1 928 313**
Share turnover, %					
- Series A	5.4	16.5	13.1	8.9	**6.8**
- Series B	56.6	79.5	31.2	34.0	**31.4**
Market capitalization December 31, FIM million	1 504.9	2 397.5	3 390.3	3 446.2	**4 009.6**
Number of shares on Dec.31	14 127 465	14 414 610	14 414 610	14 4124 610	**14 429 610**
- Series A	8 202 421	8 289 631	8 289 631	8 289 631	**8 289 631**
- Series B	5 925 044	6 124 979	6 124 979	6 124 979	**6 139 979**
Average number of shares	14 127 465	14 315 460	14 414 610	14 414 610	**14 417 117**
- Series A	8 202 421	8 253 791	8 289 631	8 289 631	**8 289 631**
- Series B	5 925 044	6 061 669	6 124 979	6 124 979	**6 127 486**

[1] Adjusted for share issues

*) The dilution effect of bonds with warrants has been taken into account in 1996 figures

**) Board proposal to the Annual General Meeting

Formulas for calculation and key indicators

Definition of key indicators

Operating profit = Profit from operations before depreciation - depreciation on fixed assets and other capital expenditure

Profit before extraordinary items, voluntary provisions and income taxes = operating profit + financial income and expenses

Profit before voluntary provisions and income taxes = Profit before extraordinary items, voluntary provisions and income taxes - extraordinary income and charges

$$\text{Return on equity I} = 100 \times \frac{\text{profit before extraordinary items - income taxes for the period}}{\text{capital and reserves + provisions (average over the year)}}$$

$$\text{Return on equity II} = 100 \times \frac{\text{profit before extraordinary items - income taxes for the period}}{\text{capital and reserves + provisions less deferred tax liability (average over the year)}}$$

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

$$\text{Solvency ratio I} = 100 \times \frac{\text{shareholders equity + provisions less deferred tax liability}}{\text{total assets - advance payments received}}$$

$$\text{Solvency ratio II} = 100 \times \frac{\text{shareholders equity + provisions}}{\text{total assets - advance payments received}}$$

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

$$\text{Equity per share I} = \frac{\text{capital and reserves + provisions}}{\text{number of shares at the balance sheet date, adjusted for share issues}}$$

$$\text{Equity per share II} = \frac{\text{capital and reserves + provisions less deferred tax liability}}{\text{number of shares at the balance sheet date, adjusted for share issues}}$$

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

$$\text{Dividend per earnings} = 100 \times \frac{\text{dividend per share}}{\text{earnings per share}}$$

$$\text{Effective yield of shares} = 100 \times \frac{\text{dividend per share, adjusted for share issues}}{\text{share quotation at the balance sheet date, adjusted for share issues}}$$

$$\text{P/E ratio for shares} = \frac{\text{share quotation at the balance sheet date, adjusted for share issues}}{\text{earnings per share}}$$

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

Highest share quotation during the period, adjusted for share issues = highest quotation of the company's shares during the period, adjusted for share issues

Lowest share quotation during the period, adjusted for share issues = lowest quotation of the company's shares during the period, adjusted for share issues

Average share quotation over the period, adjusted for share issues = share turnover in markka terms divided by the average number of shares traded

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

Proposal for the distribution of parent company profit

According to the Consolidated Balance Sheet, the distributable equity totalled FIM 722.3 million on December 31, 1996.

The parent company distributable equity totalled FIM 472.1 million on December 31,1996.

According to the Parent Company Balance Sheet of December 31,1996, the following amounts are at the disposal of the Annual General Meeting:

- retained earnings from previous years	73 622 000.49
- profit for the period	138 444 060.39
	212 066 060.88

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

- a dividend of 37.5% be paid on the par value, i.e. FIM 7.50 per share	108 222 075.00
- reserved for benevolent purposes	400 000.00
- carried over on the profit account	103 443 985.88
	212 066 060.88

Helsinki, March 13, 1997

BOARD OF DIRECTORS

Lasse Koivu

Erkki Etola

Ari Heiniö

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 1996. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets, notes to the financial 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 administation.

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 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, March 19, 1997

Eric Haglund, Authorized Public Accountant
Krister Hamberg, Authorized Public Accountant

Information for shareholders

Annual General Meeting

The 1997 Annual General Meeting of the shareholders of OY Stockmann AB will be held on Tuesday, April 15, 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 April 10, 1997 at 4.00 p.m., telephone +358-9-121 3133, +358-9-121 3802, +358-9-121 3089, +358-9-121 3498 or +358-9-121 3327.
Those shareholders are entitled to participate in the Annual General Meeting whose shares have been registered with the Finnish Central Securities Depository Ltd. no later than on April 5, 1997.
Also a shareholder whose shares have not been transferred to the book-entry system has the right to participate in the Annual General Meeting if that shareholder has been registered in the company's Share Register before September 28, 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 7.50 markkaa per share be paid for the year 1996. The dividend decided by the Annual General Meeting will be paid to a shareholder who on the record date for dividend payments confirmed by the Board, April 18, 1997, has been entered in the Share Register kept by the Finnish Central Securities Depository Ltd. The Board proposes to the Annual General Meeting that the dividend be paid on April 23, 1997 upon termination of the reconciliation period.

Changes in name and address

We kindly request shareholders to report changes of address to the bank or the Finnish Central Securities Depository Ltd. in accordance with the place where the shareholder's book-entry account is kept.

Financial information on Stockmann

Stockmann will publish the following financial bulletins on the 1997 financial year:

Half-year report	August 19, 1997
Advance information on the 1997 financial year	week 7, 1998
Financial statement bulletin for the 1997 financial year	week 11, 1998
Annual report for 1997	week 13, 1998

In addition to these reports and bulletins, we will provide the stock exchange, during the third week of the following month, with a monthly report on the sales of the units.

Bulletins can be ordered from: OY Stockmann AB, Corporate Communications, P.O.Box 220, 00101 Helsinki, Finland, telephone +358-9-121 3089, fax +358-9-121 3153. Financial bulletins are published in Finnish, Swedish and English.

The following banks and brokerage houses have reported that they carry out investment analyses connected with the operations of OY Stockmann AB:

ABN Amro Hoare Govett Securities Ltd.
Aktia Pankkiiriliike
Alfred Berg (UK)
Barclays de Zoete Wedd
Enskilda Securities
Fiba Nordic Securities (UK) Ltd.
Handelsbanken
James Capel & Co. Ltd.
Kleinwort Benson Securities Ltd.
Merita Securities Ltd
Opstock Securities Ltd
Erik Selin Bankers
Arctos Securities Ltd
Postipankki Ltd
SBC Warburg
Williams de Broë

Board of directors, management and auditors

Chairman
Lasse Koivu (born 1943), M.Sc.(Econ.), Managing Director, Föreningen Konstsamfundet. Member of the Board since 1991, due to resign in the spring 1997.

Vice Chairman
Erkki Etola (born 1945), M.Sc.(Eng.), Managing Director, Oy Etola Ab. Member of the Board since 1981, due to resign in the spring 1999.

Ari Heiniö (born 1945), LL.M., Managing Director, OY Stockmann AB. Member of the Board since 1989, due to resign in the spring 1998.

Pertti Niemistö (born 1931), Commercial Counsellor, LL.M.. Member of the Board since 1989, due to resign in the spring 1998.

Kurt Stenvall (born 1932), LL.M.. Member of the Board since 1988, due to resign in the spring 1997.

Christoffer Taxell (born 1948), LL.M., CEO, Partek Group. Member of the Board since 1985, due to resign in spring 1997.

Henry Wiklund (born 1948) M.Sc.(Econ.), Managing Director, Svenska litteratursällskapet i Finland rf . Member of the Board since 1993, due to resign in the spring 1999.

Personnel representatives on the Board April 1, 1996 - March 31, 1997.

Leena Huppunen (born 1943), salesperson, Helsinki department store. Personnel representative on the Board since December 1, 1995, elected by the Corporate Board.

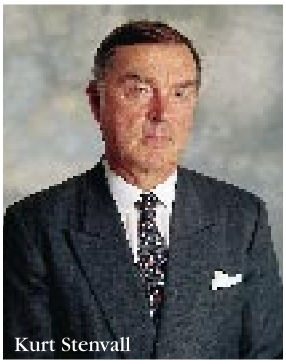
Pirkko-Liisa Reijonen (born 1949), M.Sc.(Econ.), Sales Manager, Academic Bookstore. Personnel representative on the Board since April 1, 1996, elected by Stockmann's senior salaried employees.


Lasse Koivu


Erkki Etola


Ari Heiniö


Pertti Niemistö


Kurt Stenvall


Christoffer Taxell


Henry Wiklund


Leena Huppunen


Pirkko-Liisa Reijonen

Corporate management and auditors

Stockmann's Management Committee (from left) director Risto Kiiski, Deputy Managing Director Stig-Erik Bergström, Managing Director Ari Heiniö, Deputy Managing Director Hannu Penttilä and Director Aarno Pohtola. Director Risto Kiiski retires March 31, 1997.

The commercial unit management includes the above mentioned members of the Management Committee plus:

Marjatta Björn (born 1944), M.Sc.(Econ.), Managing Director, Seppälä.

Henri Bucht (born 1951), M.Sc.(Econ.), Director, department stores in Finland, Department Store Division.

Lasse Lehtinen (born 1958), M.Sc.(Econ.), Director of Sesto since April 1, 1997.

Doris Stockmann (born 1938), M.Sc.(Econ.), Director, Academic Bookstore.

Veikko Syvänen (born 1946) business college graduate, Managing Director, Hobby Hall.

Auditors

Eric Haglund (born 1934), M.Sc.(Econ.), Authorized Public Accountant. Stockmann's deputy auditor since 1971 and regular auditor since 1977.

Krister Hamberg (born 1943), M.Sc. (Econ.), Authorized Public Accountant. Stockmann's deputy auditor since 1988 and regular auditor since 1995.

Deputy auditor
KPMG Wideri Oy Ab,
Authorized Public Accountants

Management committee

Ari Heiniö (born 1945), LL.M., Managing Director.

Stig-Erik Bergström (born 1941) D.Sc.(Econ.), Deputy Managing Director with responsibility for finance, treasury, information systems and real estate.

Hannu Penttilä (born 1953), LL.M., Deputy Managing Director with responsibility for the department stores and international operations.

Risto Kiiski (born 1937), M.Sc.(Econ.), Director, Sesto.

Aarno Pohtola (born 1956), LL.M., Director, Automotive Sales Division.

Addresses

STOCKMANN MANAGEMENT AND ADMINISTRATION

Aleksanterinkatu 52 B
P.O.Box 220, 00101 HELSINKI
Tel. +358 9 1211
Fax +358 9 121 3101

ARI HEINIÖ, Managing Director
STIG-ERIK BERGSTRÖM, Deputy Managing Director
HANNU PENTTILÄ, Deputy Managing Director
KURT BLOMQVIST, Manager, Real Estate
REIJO HAKAOJA, Director, Information Technology
RAIMO HÄNDELIN, Manager, Internal Audit
MERJA LINDROOS, Manager, Corporate Communications
MERJA LÖNNROTH-LAAKSONEN, Personnel Director
EVA MANSIKKA-MIKKOLA, Accounting Manager
PIRKKO SALMINEN, Financial Manager
TIINA TARMA, Company Lawyer

DEPARTMENT STORE DIVISION

Kutomotie 1 C
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Tel. +358 9 12 151
Fax + 358 9 121 5812

Purchasing
Fax +358 9 121 5960, +358 9 121 5665 and +358 9 121 5299

Marketing
Fax +358 9 121 5512

Management
HANNU PENTTILÄ, Director
HENRI BUCHT, Helsinki Department Store and Department Stores in Finland
JUKKA HIENONEN, International Operations
MAARET KUISMA, Marketing
LEENA LASSILA, Purchasing: fashion
RISTO PENTTILÄ, Administration
KARL W. STOCKMANN, Purchasing: Non-fashion Goods, International Operations

Helsinki Department Store
Aleksanterinkatu 52
P.O.Box 220, 00101 HELSINKI
Tel. +358 9 1211
Fax +358 9 121 3632
HENRI BUCHT, Director

Export and Shopping Service
Fax +358 9 121 3781

Business to Business Service
Fax +358 9 121 3782

Itäkeskus Department Store
Itäkatu 1 C, 00930 HELSINKI
Tel. +358 9 121 461
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TARJA BERGHOLM, Director ad.int.

Tampere Department Store
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SEPPO RÖNKKÖNEN, Director

Tapiola Department Store
Länsituulentie 5, 02100 ESPOO
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Fax +358 9 121 2269
ANJA TAINA, Director

Turku Department Store
Yliopistonkatu 22
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Tel. +358 2 265 6611
Fax +358 2 265 6714
CAROLA NYMARK, Director ad.int.

International Operations
Joint Operations
Stockmannintie 1 H
P.O.Box 147, 00381 HELSINKI
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Fax +358 9 121 5250
JUKKA HIENONEN, Director

RUSSIA
Moscow Office
ZAO Kalinka-Stockmann
Proezd Olminskogo 3a
129164 MOSCOW
Tel. 7 095 974 0122
Fax 7 095 282 0069

Stores

Moscow:
Danilov, Dolgoruk, Leninski, Zacepskij Val

St. Petersburg

ESTONIA
Stockmann AS
Tallinn Department Store
Liivalaia 53
EE 0001 TALLINN
Tel. 372 6 339 500
Fax 372 6 339 501
JUHA OKSANEN, Director

Seppälä
Viru Väljak 4
EE 0001 TALLINN

AUTOMOTIVE SALES DIVISION

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

Ford Product Line (Stockmann Auto)
HELSINKI, Pitäjänmäki
Kutomotie 1 A
P.O.Box 157, 00381 HELSINKI
Tel. +358 9 12 151
Fax +358 9 121 5401

HELSINKI, Herttoniemi
Mekaanikonkatu 17
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Fax +358 9 121 4848

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Fax +358 9 423 225

ESPOO, Koskelo
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Fax +358 9 2705 1742

VANTAA, Tikkurila
Kuriiritie 116
01510 VANTAA
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Fax +358 9 870 1707
TURKU
Satakunnantie 164
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Fax +358 2 273 6940

Nissan, Chrysler, Jeep Product Line
HELSINKI, Herttoniemi
Mekaanikonkatu 10
00810 HELSINKI
Tel. +358 9 121 721
Fax +358 9 121 7272

Volkswagen, Audi, Seat Product Line
HELSINKI, Herttoniemi
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Fax +358 9 121 7300

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VANTAA
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01530 VANTAA
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Fax +358 9 821 280

HOBBY HALL

Hämeentie 157
00560 HELSINKI
Tel. +358 9 777 611
Fax +358 9 7776 1381

Management
VEIKKO SYVÄNEN, Director
SEPPO JURVAINEN, Data Management
YRJÖ STENBERG, Finance
PENTTI TIISTOLA, Materials Management

Stores
Helsinki, Vantaa

Estonia: Tallinn

SESTO

Stockmannintie 1 H
P.O.Box 152, 00381 HELSINKI
Tel. +358 9 12 151
Fax +358 9 121 5671

Management
LASSE LEHTINEN, Director
PIRJO K. HYVÄRINEN, Director, buying of food products
OLAVI LEHTINEN, Commercial Director
EERO LESTELÄ, Etujätti Hypermarkets
ARJA RISSANEN, Administration
JARMO VÄISTÖ, Sesto Stores

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

Etujätti Hypermarkets
Espoo, Vantaa, Tampere, Turku

SEPPÄLÄ

Office
Tikkurilantie 62
P.O.Box 234, 01531 VANTAA
Tel. +358 9 825 981
Fax +358 9 870 1383

Management
MARJATTA BJÖRN, Director
AKIF BESHAR, Field, Administration
MERJA ILMAKUNNAS, Children's wear, Cosmetics
ANJA RISSANEN, Ladies' Wear
TIMO SINKKONEN, Men's Wear

Stores
Espoo, Forssa, Hamina, Heinola, Helsinki, Hollola, Hyvinkää, Huittinen, Hämeenlinna, Iisalmi, Imatra, Joensuu, Jyväskylä, Jämsä, Järvenpää, Kajaani, Kangasala, Kankaanpää, Kauhajoki, Kemi, Kempele, Kerava, Kirkkonummi, Klaukkala, Kokkola, Kotka, Kouvola, Kuopio, Kuusamo, Kuusankoski, Lahti, Lappeenranta, Lapua, Laukaa, Lieksa, Lohja, Loimaa, Mikkeli, Nivala, Nokia, Orimattila, Oulu, Pello, Pieksämäki, Pietarsaari, Pori, Porvoo, Raahe, Rauma, Raisio, Riihimäki, Rovaniemi, Salo, Savonlinna, Seinäjoki, Sodankylä, Tammisaari, Tampere, Tornio, Turku, Uusikaupunki, Vaasa, Valkeakoski, Vammala, Vantaa, Varkaus, Ylivieska, Ylöjärvi, Äänekoski.

Estonia: Tallinn, see International Operations.

ACADEMIC BOOKSTORE

Keskuskatu 1
P.O.Box 128, 00101 HELSINKI
Tel. +358 9 12 141
Fax +358 9 121 4245
Internet: http://www.akateeminen.com

Management
DORIS STOCKMANN, Director
JOUNI HAANPÄÄ, Stationery, Office Supplies, Microcomputers
KARIN VON KOSKULL, Institutional Sales
KIRSTI LEHMUSTO-ERÄNEN, Marketing
KARI LITMANEN, Office
STIG-BJÖRN NYBERG, Retail Book Sales, Helsinki
RAIJA RÖNKKÖNEN, Data Management

Local branches
Itäkeskus, Tapiola, Joensuu, Jyväskylä, Kuopio, Lappeenranta, Oulu

STOCKMANN Aleksanterinkatu 52 B, P.O. Box 220, FIN-00101 HELSINKI, tel. +358 9 1211