STOCKMANN

ANNUAL REPORT 1997

Information for shareholders

Annual General Meeting

The 1998 Annual General Meeting of the shareholders of OY Stockmann AB will be held on Tuesday, April 21, at 4.00 p.m. in the Concert Hall of Finlandia Hall at the address Karamzininkatu 4, Helsinki.
Registrations for the meeting must be received no later than on April 16, 1998 at 4.00 p.m., telephone +358-9-121 3133, +358-9-121 3802, +358-9-121 3089 or +358 -9-121 3327.
Those shareholders are entitled to participate in the Annual General Meeting, who have been entered, no later than on April 16, 1998, as shareholders in the Shareholder Register kept by Finnish Central Securities Depository Ltd.
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 9.00 markkaa per share be paid for the 1997 financial year. 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 24, 1998, has been entered in the Owner Register kept by Finnish Central Securities Depository Ltd. The Board proposes to the Annual General Meeting that the dividend be paid on April 29, 1998 upon termination of the record period.

Changes in name and address

We kindly request shareholders to report changes of address to the bank or to 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 1998 financial year:

January-March Interim Report	May 13, 1998
January-June Interim Report	August 12, 1998
January-September Interim Report	November 11, 1998
Financial Statement Bulletin for the 1998 financial year	February 23, 1999
Annual Report for 1998	week 12, 1999
Reservation for the date of the Annual General Meeting	April 13, 1999

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.
Stockmann is not responsible for the evaluations that are presented in the analyses.

ABN Amro Hoare Govett Securities Ltd.
AG Private Bankers Ltd
Aktia Securities
Alfred Berg (UK)
Aros Securities Oy
Barclays de Zoete Wedd
Enskilda Securities
Evli Securities plc
Handelsbanken
HSBC Securities
Kleinwort Benson Securities Ltd.
Merita Securities Ltd
Opstock Securities Ltd
Arctos Securities Ltd
Protos Stockbrokers Ltd
Postipankki Ltd
SBC Warburg
Williams de Broë

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 in Brief

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

Annual Report for the 136th year of operations

Contents

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.

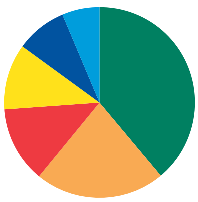
Key figures

		1993	1994	1995	1996	**1997**
Sales	FIM mill.	4 463.8	5 486.1	6 249.1	7 420.2	**8 289.4**
Turnover	FIM mill.	3 712.6	4 556.6	5 213.8	6 164.5	**6 900.0**
Staff costs	FIM mill.	620.2	656.6	762.8	850.2	**895.2**
Staff costs/turnover	%	16.7	14.4	14.6	13.8	**13.0**
Profit from operations before depreciation	FIM mill.	192.1	302.1	340.4	403.8	**515.2**
Operational result [1]	FIM mill.	160.2	246.9	280.3	315.9	**415.2**
Investments	FIM mill.	185.2	132.9	273.7	333.2	**315.2**
Investments/turnover	%	5.0	2.9	5.2	5.4	**4.6**
Total assets	FIM mill.	2 657.6	2 899.7	3 176.2	3 645.9	**3 889.5**
Capital and reserves	FIM mill.	192.2	288.3	288.3	288.6	**288.9**
Market capitalisation Dec. 31	FIM mill.	2 397.5	3 390.3	3 446.2	4 009.6	**5 035.5**
Dividend paid	FIM mill.	57.7	86.5	100.9	108.2	**130.0***
Dividend per share [2]	FIM	4.00	6.00	7.00	7.50	**9.00***
Earnings per share [2]	FIM	8.01	12.58	13.95	15.13	**20.11****
Equity ratio	%	61.3	60.4	58.1	54.0	**55.6**
Return on investment	%	9.2	12.7	13.2	13.3	**15.6**

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

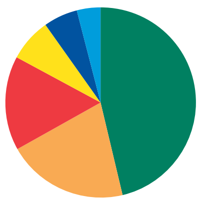
Distribution of sales and commercial profit

Sales by commercial unit



- 39% Department Store Division
- 22% Automotive Sales Division
- 13% Hobby Hall
- 11% Sesto
- 9% Seppälä
- 6% Academic Bookstore

Distribution of commercial profit*



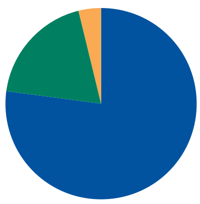
- 46% Department Store Division
- 21% Seppälä
- 16% Hobby Hall
- 7% Automotive Sales Division
- 6% Academic Bookstore
- 4% Sesto

* operating profit

Sales by sector

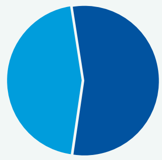
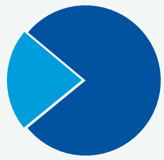
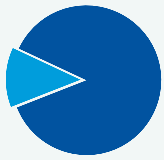
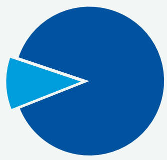
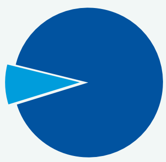
- 30% Fashion
- 22% Motor vehicles
- 19% Food
- 13% Home
- 9% Books, publications, stationery
- 7% Leisure

Sources of income



- 77% Commercial units
- 19% Real estate
- 4% Net financial profit

Introduction of the commercial units, April 1, 1998

Units and their management	Offerings	Locations	Share of Stockmann's sales in 1997
DEPARTMENT STORE DIVISION Hannu Penttilä	Offers 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.	5 department stores in Finland A department store in Tallinn, Estonia 5 stores in Moscow and St Petersburg 5 Academic Bookstores in localities in Finland where Stockmann has a department store	FIM 3 748.4 million 45% 
AUTOMOTIVE SALES DIVISION Aarno Pohtola	Offers a very wide range of high quality makes and models. The repair shops and spare parts services are areas where good quality and reliable customer service are particularly important.	10 outlets in the Greater Helsinki area: Ford, Volkswagen, Audi, Seat, Mitsubishi and Skoda dealerships plus a wide selection of used cars 2 outlets in Turku: Ford, Mitsubishi and Skoda dealerships	FIM 1 824.8 million 22% 
HOBBY HALL Veikko Syvänen	Hobby Hall's catalogue offers a fast and convenient way to buy quality products at affordable prices. Its offerings consist primarily of household and leisure articles.	Finland's largest mail-order company 2 stores in the Greater Helsinki area Estonia's largest mail-order company A store in Tallinn	FIM 1 071.2 million 13% 
SESTO Lasse Lehtinen	The traditional Sestos are service-minded, high-quality and moderate-price supermarkets that offer product selections which are by far the best in their size class. The Sesto Etujätti markets are modern hypermarkets whose competitiveness is based on large product assortments, delicious speciality counters, shopping convenience and overall thrift.	13 supermarkets in the Greater Helsinki area 4 Etujätti hypermarkets in Vantaa, Espoo, Turku and Tampere	FIM 924.2 million 11% 
SEPPÄLÄ Marjatta Björn up to June 1, 1998 Lars Eklundh as from June 1, 1998	Seppälä offers its youthfully minded customers a sensible alternative for dressing fashionably. Centralized, chain-store operations guarantee very affordable prices and reliable quality.	Some 100 clothes stores in Finland A store in Tallinn	FIM 714.4 million 9% 

Important events in 1997

February

- On February 7, 1997, Stockmann purchased from Kesko Oy a 14 per cent holding in TukoSpar Oy in order to ensure reasonably priced purchases of supermarket goods. The deal was consummated in April when the EU Commission approved it.

March

- The 2 000 square metre extension to the retail space in the Helsinki department store was opened on March 5, 1997, together with the ancillary tunnel linking the department store and the parking hall of the Forum shopping centre.
- The Academic Bookstore in Turku moved into new premises and opened its doors on March 17, 1997.

April

- Extension works in the Tapiola department store got started on April 12, 1997. In the autumn 1998, the department store's retail space will grow from the present 6 700 square metres to about 10 500 square metres and plenty of new parking space will be added.

May

- The department store in Itäkeskus Shopping Centre in Helsinki received much needed additional space when the Academic Bookstore moved into new premises. The extension was fully completed on May 25, 1997, and brought the department store and the Academic Bookstore a total of about 1 000 square metres of additional retail space.

June

- Stockmann bought in May Helkama Oy's Mitsubishi and Skoda dealerships, Helkama Auto-Center Oy and Autotalo Helkama Oy, which were transferred to Stockmann on June 1, 1997.
- On June 18, 1997, Stockmann and Merita Bank Ltd announced that they were offering their joint customers a combination card that can be used as both a Merita debit card and a Stockmann loyal customer card with or without a credit limit. At the same time, Stockmann announced that its loyal customers would be able to use the Merita debit card incorporated in the combination card to make cash withdrawals at the cash registers of the department stores and other Stockmann's business units. The combination cards were introduced in February 1998.

August

- Stockmann announced on August 19, 1997, that it had signed a memorandum of intent concerning the leasing of facilities for opening a department store in Moscow. If all the project-related details are worked out, the project - when completed - will mean a significant improvement in the company's competitive position in the Moscow market.
- On August 27, 1997, Stockmann purchased from Polar Corporation a plot bordering the Sesto Etujätti Hypermarket in Friisilä, Espoo, for the purpose of opening Hobby Hall and Seppälä stores there during 1998. A total of about 2 000 square metres of retail space will be built.

September

- The Turku department store was extended into about 800 square metres of space that had been vacated by Academic Bookstore. The extension was completed on September 3, 1997.

October

- Stockmann announced on October 9, 1997, that it had decided to develop the operations of the Academic Bookstore in closer cooperation with the department stores. The decision involved selling off the local Academic Bookstores in places where Stockmann does not have a department store. The six stores that were sold to Suomalainen Kirjakauppa Oy (the Finnish Bookstore) were transferred to the new owner on January 1, 1998.
- A new 5 500 square metre Ford dealership was completed for the Automotive Sales Division on October 11, 1997, next to the Volkswagen, Audi and Seat dealership in Helsinki's Herttoniemi district.

December

- On December 3, 1997, the Tampere City Council approved a town plan modification providing for an expansion of the Tampere department store by building one new floor. As plans now stand, the extension will be completed in the spring of 1999.
- On December 30, 1997, contract agreements were signed concerning the building of Sesto's fifth Etujätti Hypermarket in Turku's Kupittaa district right near the railway station. The store will be completed just as the 1998 Christmas market gets under way.

The Tapiola department store will expand by about 3 800 square metres. The extension that will be completed in the autumn of 1998 is Stockmann's largest single capital expenditure after the building of the Helsinki department store's Argos Corner.

Stockmann and Merita Bank Ltd offer their joint customers a Combination Card that can be used as both a Merita debit card and a Stockmann Loyal Customer Card.

A new 5 500 square metre Ford outlet was completed for the Automotive Sales Division in Helsinki's Herttoniemi district in October.

Managing Director's review

Stockmann's strong growth continued. Our sales notched up by another billion marks - for the fifth year in a row - reaching FIM 8.3 billion last year. We are aiming to do this again in 1998.

We also performed well in generating profits. Stockmann's operational result improved by about FIM 100 million, to FIM 415 million. This put our earnings into the FIM 400 million bracket, the third time in succession that the hundreds digit has increased by one.

The outlays on developing our operations, which got started at the beginning of the decade, are bearing fruit. Now that we are in boom times, the pace keeps accelerating. Our sales have more than doubled compared with 1990 and our net profit has more than quadrupled. This trend is shown in the column diagram below.

Our market share and customer volumes have also grown by leaps and bounds. This is proof positive that our business ideas work. It has been gratifying to note that in a number of different surveys Stockmann has been ranked in the select group of Finland's most admired companies. Our uncompromising objective is indeed to be the best in all the areas where we operate. In seeking to achieve this, a central factor is knowledgeable personnel who are committed to shared goals and have the will to win. I wish at this time to express my warm thanks to all our Stockmann team for what we have accomplished.

Impressive growth figures

Stockmann's sales grew last year by FIM 869 million, to FIM 8 289 million, up 11.7 per cent. The growth came nearly entirely from the increase in our own commercial efficiency. Thanks to our active sales efforts, our comparable rate of growth was double that of the retail sector, as it was in the previous year too.

The 31 per cent increase in the operational result - from FIM 316 million to FIM 415 million - set a new record. I said in my review a year ago, that the value added which all our marketing efforts and capital expenditures will produce for the company does not immediately show up on the bottom line of the profit and loss account. This still holds. Nonetheless, part of the improvement in our earnings is due to the realization of growth-driven value added.

The performance of the commercial units is described in the Board Report on Operations and in detail in the reviews of the divisions. Two bright spots merit a special mention: that all our units succeeded in improving their earnings and that the Department Store Division again made a "tiger's leap" - its operating profit of FIM 173 million increased by FIM 54 million on the previous year and by FIM 102 million on 1995.

Well poised to push ahead

As the saying goes, in the retail trade you've got to keep running "for your life" just to stay where you are. As the leading company in our own fields of operations, we have had enough of a lead that even though we have been moving at a good clip, we have not, after all, had to run "for our life" in recent years.

At the same time as we've made substantial outlays on implementing our growth strategy, we have sought to safeguard our good profit-making ability - which of course means the ability to pay good dividends. This has called for judicious management of risks in carrying out the company's development programme. We intend to continue this policy.

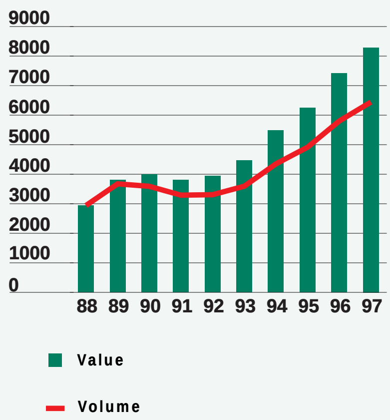
Over the past three years we've invested more than FIM 900 million in developing our operations, more than a third of the outlays being made last year. This year our capital expenditures will be of the order of FIM 400 million. I believe that the pace will continue at

Trend in the value of Stockmann´s sales 1996/1997	Change %
Stockmann, total	11.7
Department Store Division in Finland	7.3
Automotive Sales Division	27.6
Hobby Hall	12.3
Sesto	- 0.5
Seppälä	6.6
Academic Bookstore	10.7

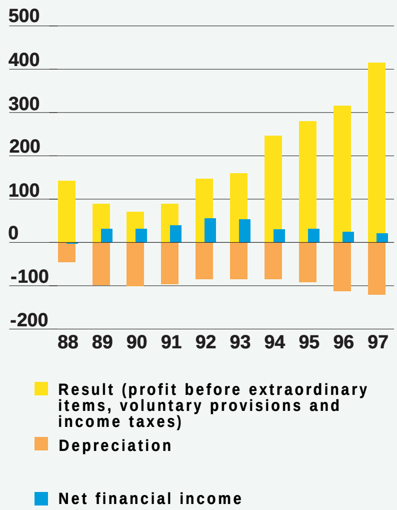
Trend in the value of retail sales, exclusive of VAT, in Finland* 1996/1997	Change %
Retail trade, total	4.3
Department stores	3.7
Vehicles, spare parts	8.1
Household appliances, furnishings	5.3
Supermarkets	2.7
Textile and garment	2.3
Books and office supplies	3.6

* *source: Statistics Finland*

Sales 1988-1997, FIM million



Operational result 1988-1997, FIM million



least at the same level far into the next millennium.

Rights issue and loyal customer share options

The objective of Stockmann's growth strategy is to pave the way for future success. Development of the company to the extent planned calls for external financing to support the entire programme. Accordingly, the Board of Directors has decided to propose to the Annual General Meeting that the par value of Stockmann shares be halved, that shareholders be offered a bonus issue and a rights issue and that loyal customers be given share options.

A promising future

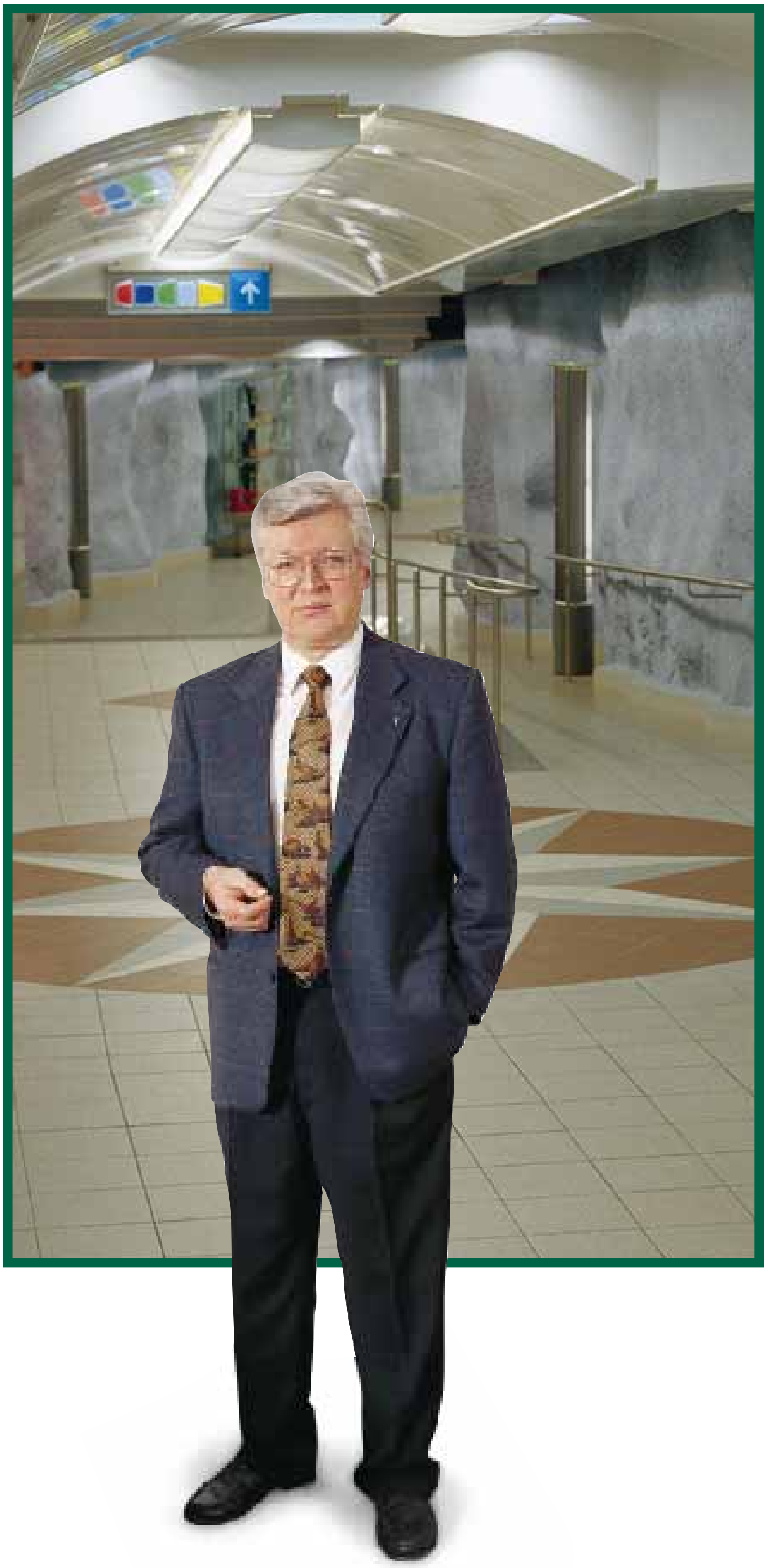
The Finnish economy looks set to continue its favourable growth over the next few years, although the growth rate may gradually slow down. This is largely due to the fact that the problems connected with high unemployment, high indebtedness and high taxation are still unresolved. The outlook for the consumer goods trade is nevertheless good.

Bolstered by the growth potential we have built and continue to build, we have what it takes to cash in on this positive development. I also believe that in the years ahead we shall have opportunities for profitable growth in Russia, the Baltic countries and perhaps farther afield in the Baltic region.

I conclude my tenth review as managing director by reaffirming yet again that this year too, we shall generate reasonably good earnings. This statement has become a tradition by now, but this time I can express my conviction more easily than ever before.

Helsinki, February 11, 1998

Ari Heiniö
Managing Director



Board of Directors

The members of Stockmann's Board of Directors and the personnel representatives on the Board. Standing, from the left: Lasse Koivu, Erkki Etola, Henry Wiklund, Pertti Niemistö, Kurt Stenvall and Ari Heiniö. Seated, from the left: Christoffer Taxell, Pirkko Laisi and Pirkko-Liisa Reijonen.

Chairman
Lasse Koivu (born 1943), B.Sc.(Econ.), managing director, Föreningen Konstsamfundet. Member of the Board since 1991, due to resign in the spring 2000.

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 2000.

Christoffer Taxell (born 1948), LL.M., CEO, Partek Group. Member of the Board since 1985, due to resign in spring 2000.

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, 1997 - March 31, 1998.

Pirkko Laisi (born 1942), Chief shop steward, administration. Personnel representative on the Board, elected by the Corporate Board.

Pirkko-Liisa Reijonen (born 1949), B.Sc.(Econ.), sales manager, Academic Bookstore. Personnel representative on the Board, elected by Stockmann's senior salaried employees.

Corporate management and auditors

The members of Stockmann's Management Committee are (from the left) Deputy Managing Director Hannu Penttilä, Deputy Managing Director Stig-Erik Bergström, Managing Director Ari Heiniö and Director Aarno Pohtola.

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 Store Division.

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

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

Marjatta Björn (born 1944), M.Sc. (Econ.), managing director, Seppälä, until June 1, 1998.

Henri Bucht (born 1951), M.Sc.(Econ.), director, Helsinki department store, responsible for the department stores in Finland and the Academic Bookstore.

Lars Eklundh (born 1955), B.Sc. (Econ.), managing director, Seppälä, as of June 1, 1998.

Lasse Lehtinen (born 1958), M.Sc. (Econ.), director of Sesto.

Veikko Syvänen (born 1946), business college graduate, managing director, Hobby Hall.

Doris Stockmann, M.Sc.(Econ.) and director of the Academic Bookstore, relinquished her membership of the commercial unit management by handing over the directorship of the Academic Bookstore to Stig-Björn Nyberg (born 1947), M.A. Director Stockmann retired on March 1, 1998.

Auditors

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

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

Deputy auditor
KPMG Wideri Oy Ab

Department Store Division

Stockmann's department stores in the centre of Helsinki and in the Itäkeskus shopping centre as well as in 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, Estonia, as well as four stores in Moscow and one in St Petersburg. The five Academic Bookstores in localities where Stockmann has department stores became a part of the department store operations as from the beginning of 1998.

The Department Store Division's sales and net profit grew significantly in 1997. Sales inclusive of VAT were FIM 3 222.0 million. Turnover was FIM 2 685.0 million, up 9.3 per cent on the previous year. Sales by the department stores in Finland grew by FIM 185.9 million, or 7.3 per cent. International Operations registered a sales increase of FIM 81.1 million, up by an impressive 19.7 per cent.

Sales by the domestic department stores were on a par with last year's. During the year the Helsinki department store got additional retail space with the opening of the Basement floor in April. The department stores in the Itäkeskus shopping centre and in Turku also increased their retail space somewhat. On the other hand, construction works hampered sales in Turku and especially in the Tapiola department store, which managed to increase its sales by 2 per cent despite big inconveniences.

The strong growth in sales by the International Operations units is due to the first full year of business for the Tallinn department store and the Seppälä store that is located in Tallinn in the Viru Centre. Both stores were opened in Estonia in April 1996. The development in the Tallinn department store's sales exceeded even the boldest estimates.

Thanks to the good sales development and efficient cost management by the department stores, the Department Store Division increased its profit from operations before depreciation and its operating profit significantly. Earnings have improved for many years running, and now they leapt to a new record level.

Competition hotted up in Finland. Swedish chains, among others, strengthened their position in the Finnish market. All the domestic competitors made heavy outlays on their own loyal customer programmes. Despite the keener competition, the growth in Stockmann's department store sales outstripped the market average. In the areas of operations outside Finland, too, there was tougher competition as the stabilizing market conditions began to interest new players. Thanks to the market savvy Stockmann has built up over the years and its very positive image, the company is excellently placed to improve its competitive position in Russia and Estonia.

Department Store Division		1997	1996	1995
Sales	FIM mill.	**3 222.0**	2 955.0	2 661.8
Proportion of Group Sales	%	**38.9**	39.8	42.6
Profit from operations before depreciation	FIM mill.	**225.8**	172.2	119.2
Operating profit	FIM mill.	**172.8**	118.7	70.7
Return on investment	%	**24.7**	18.0	11.8
Investments	FIM mill.	**61.4**	82.1	93.6
Staff, December 31		**4 360**	4 058	3 903

Sales 1996-1997

FIM mill.	1997	1996	Change %
Helsinki	**1 512.0**	1 392.8	8.6
Tapiola	**321.6**	315.0	2.1
Itäkeskus	**292.9**	267.3	9.6
Tampere	**308.7**	288.8	6.9
Turku	**293.1**	278.4	5.3
Department stores in Finland	**2 728.3**	2 542.4	7.3
International operations	**493.7**	412.6	19.7
Total	**3 222.0**	2 955.0	9.0

Sales in 1997 by merchandise sector

Merchandise sector	% of total sales	Change %
Men's wear and accessories	9.9	7.3
Ladies' wear and accessories	17.5	6.1
Children's wear and junior wear	6.3	8.6
Footwear	3.0	10.3
Cosmetics	4.6	10.2
Fashions total	41.3	7.5
Home furnishings, fabrics, needlework, household	10.9	1.7
Leisure and sports	11.2	18.4
Food	19.1	5.4
Cafeterias and miscellaneous services	2.0	1.0
Others, total	43.2	7.3
International operations	15.5	19.7
Total	100.0	9.0

The domestic department stores make a tiger's leap

The department stores in Finland had sales inclusive of VAT of FIM 2 728.3 million, up 7.3 per cent on the previous year. The number of customers grew by 2 per cent. Sales by the concessions in the department stores also developed favourably and were FIM 202.0 million.

The department stores in Finland came in clearly above their targets for sales and profit from operations before depreciation. The trend was particularly strong for the following merchandise sectors: sports (+27 per cent), leisure and hobbies (+16 per cent), footwear, cosmetics (+10 per cent each) and youth clothing (+9 per cent).

Major investments were made in the department stores in Finland during the year with an eye to future growth.

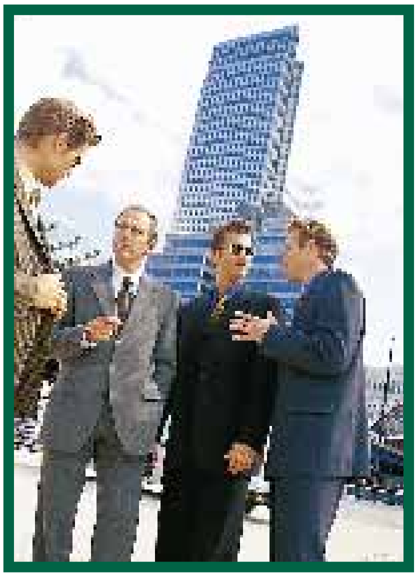
At the Helsinki department store, the pedestrian tunnel between the Forum car park and the department store together with the adjoining Basement store was opened in April. Thus, the Sports Department on the sixth floor was partially expanded and renewed. The projects were a big success: customers quickly found the new access route, and sales of leisure goods developed very positively.

The sizeable extension project at the Tapiola department store progressed according to schedule. By the time the extension is completed at the beginning of October 1998, the department store's floor area will increase from 6 700 square metres at present to about 10 500 square metres. The department store's sales trend has remained favourable despite the inconvenience caused by construction works.

The approximately 1 000 square metre extension to the department store in the Itäkeskus shopping centre was completed according to plans in May 1997. The extension, which was carried out together with the Academic Bookstore, has already proven to be a success.

Ril's is a brand that was designed for Luhta by Ritva-Liisa Pohjalainen. The entire Ril's design team won the Golden Clothes Hanger Award in February 1998.

Each year Stockmann presents an award to its best suppliers. The top supplier in 1996 was InWear Oy.

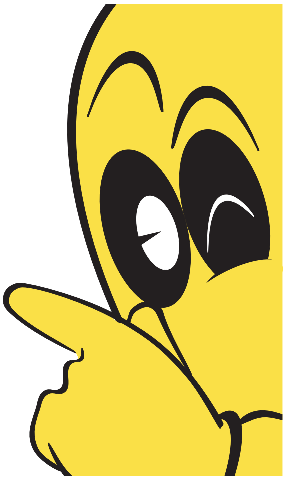


The pacesetters for the strong growth in men's business attire are the top labels Boss and Turo of Finland.

Department Store Division

In October, the first Crazy Days ran at the Tallinn department store and were a great success.

The yellow Crazy Days shopping bags were a frequent sight in Tallinn streets. The local media headlines announced that Tallinn people had found a new meeting place.



The department store in Turku expanded by about 800 square metres at the beginning of September when the Academic Bookstore moved out of the department store to premises that were vacated elsewhere in the Hansa block. At the same time, the furnishings on the department store's second floor were renewed in their entirety. The expansion was well justified in sales terms and it was completed on schedule.

At the department store in Tampere, design work and the licensing procedure got under way for expanding the department store by adding one new floor. According to plans, the extension will be completed in the spring of 1999.

To ensure that the department stores and Sesto have continuing access to favourably priced food purchases, Stockmann bought a 14 per cent holding in TukoSpar Oy. The company was sold to new owners as part of the arrangements connected with the dismantling of Kesko's (Wholesale Corporation Kesko) acquisition of Tuko. The company's other shareholders are Wihuri Oy, Suomen Spar Oy (formerly Sentra Oy) and the wholesaler Heinon Tukku Oy.

In accordance with a cooperation agreement concluded with Arctia Oy, the customer and personnel cafeterias in the Itäkeskus and Turku department stores were placed under Arctia's management in connection with the extensions that were being made to the department stores. The Kitchen Grill and Bar for patrons of the Basement facilities in the Helsinki department store was also carried out in cooperation with Arctia. When Arctia's operations were transferred to a new owner, negotiations got started with the aim of exploring future possibilities of cooperation.

Towards the end of the year an agreement was concluded with ICL Edacom concerning upgrading of the cash desk systems and terminals at the department stores in Finland and the Academic Bookstore stage by stage during 1998 and 1999.

Closer cooperation between the department stores in Finland and the Academic Bookstore

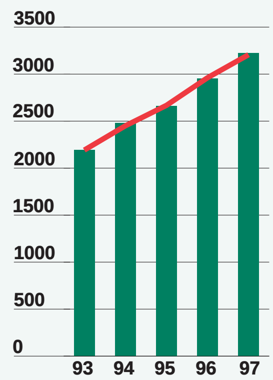
In October 1997 a decision was taken to sell off the local Academic Bookstores located in areas where Stockmann does not have department stores. Under the agreement reached with Suomalainen Kirjakauppa (the Finnish Bookstore), the Academic Bookstore's outlets in Jyväskylä, Oulu, Joensuu, Lappeenranta, Kuopio and Vaasa became part of Finnish Bookstore's chain of stores as from January 1, 1998.

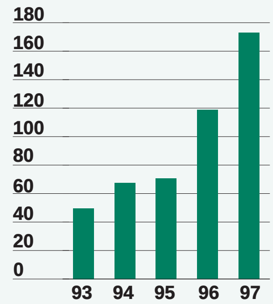
Right after the deal was concluded, planning was started on combining the functions of the Academic Bookstore and the Department Store Division in the localities in Finland where the company has department stores. The objective is to seek cost-effectiveness through integration, especially from the functions that support sales, thereby at the same time strengthening both units' potential for success. The overhauled joint organization went into effect in January 1998.

International Operations makes a big improvement in earnings

Sales inclusive of VAT by the International Operations units were FIM 493.7 million. Sales in Russia amounted to FIM 295.6 million, an increase of 2.5 per cent on the previous year. Sales by the department store in Tallinn and the Seppälä store totalled FIM 198.1 million, resulting in hefty growth of 59.4 per cent. The sales growth indicates that the department store has achieved an important position in Tallinn's retail trade and at the same time has changed local purchasing habits. The fast growth in food sales was especially gratifying. The number of loyal customers in Estonia already grew to more than 26 000. In February 1998, Stockmann was the first retailer to come out with its own account card, which has a credit facility.

In Russia operations continued in the existing network of stores. The restructuring measures that were initiated a year earlier showed up in the earnings development, as fixed costs decreased steadily all year long. The rising rate of the dollar, which was used as the sales currency in Russia up to the end of 1997, contributed to improving the gross profit on sales, which grew strongly in spite of increased competition. The sell-off of non-merchandable products and improved stock turnover also helped to improve the gross profit on sales. Following Russia's currency reform, the rouble began to be used as the pricing currency as from the beginning of 1998.





EBO

European Brands Organisation

EBO (European Brands Organisation) B.V. is a company that is owned by five ACI department stores and whose business idea is to develop European brand concepts for its owner companies. The first new brand will be launched in August 1998.

The Sampokuja pedestrian precinct in Tapiola after the extension to the department store is completed. The objective is to create a neat, light and airy, and pleasant shopping environment.

Department Store Division

A new pedestrian tunnel now links the Helsinki department store to the car park of the Forum shopping centre.

The Helsinki department store expanded downwards in March. The Basement witnessed the opening of a leisure world that covers 2 000 square metres of retail space and whose many offerings include an excellent environment for test-listening to hi-fi equipment before making a purchase decision.

The sports departments of all the department stores have been given a new, harmonious look. Shown here is the Nike Shop in the Helsinki department store.

As a consequence of the above described development, the profit from operations before depreciation of the International Operations units improved significantly. The performance of the department store in Tallinn, which posted a clearly positive operational result already in its first full year of operations, was a particular cause of joy.

Stockmann has made heavy outlays on training the local personnel in both Estonia and Russia. The objective is to replace key employees who are returning to Finland with local people whenever this is possible. This will be important as plans for expanding operations move ahead.

Crazy Days take Tallinn by storm

The marketing of the department stores was further consolidated and, thanks to energetic marketing measures, yielded record results all year long.

A central factor of success was the continual keeping up of loyal customers' interest and satisfaction. Notwithstanding the increased competition from other cards, Stockmann's department stores succeeded well both in recruiting new customers and in developing purchasing loyalty. Purchases by loyal customers again accounted for well over half of the sales by the department stores in Finland. This represents top class performance even on an international yardstick, and compared with, say, the leading European department stores. At the close of the year there were a total of 530 000 holders of Stockmann loyal customer cards, of whom 26 000 were customers of the Tallinn department store.

The record-breaking popularity of the Crazy Days campaign rose to dizzying new heights. In the autumn the sales of the five department stores in Finland topped FIM 107.7 million in four days, drawing nearly a million customers. The campaign was carried out simultaneously for the first time in Tallinn, too. Tallinn shoppers took to the Crazy Days right from the start. In four days, 70 000 customers visited the department store, and the local media reported that Tallinn people had found a new meeting place: Stockmann's "Hullud Päevad" - which is the Estonian equivalent to the Finnish name for the Crazy Days: Hullut Päivät.

The main campaign of the year, in addition to the ones mentioned above, was LOOK AT THE WORLD, which ran successfully in September in place of the traditional country campaign. The most outstanding of the interesting product offerings was Ril's, which is a new premium quality women's clothes collection that was designed for Luhta by Ritva-Liisa Pohjalainen. The foods featured during the campaign were choice examples of French cuisine.

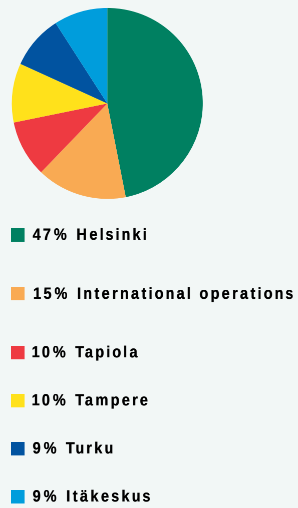
A good outlook for 1998

The main challenge for department store operations in Finland in 1998 is to see the sizeable extension works at the Tapiola department store to completion and to open them to the public in October. The objective is to make the Tapiola department store Finland's second largest in sales terms, right after the Helsinki department store. Work on the extension to the Tampere department store will also get started in the autumn. The business operations of the five Academic Bookstores will be developed in future as part of the Department Store Division. By combining background and support functions, it will be possible to achieve substantial synergy benefits.

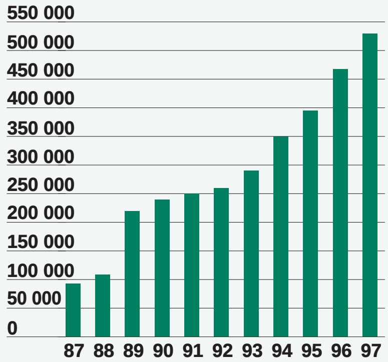
The top priority in the development of international operations will be to carry out the Moscow department store project, which has been pending for a long time. When completed, the project will mean a significant improvement in the company's competitive position in the Moscow market.

The outlook for department store sales in 1998 is good. Sales will continue to grow steadily. Because of substantial capital expenditures and the opening costs they entail, operating profit is likely to remain at the level of 1997.

Distribution of sales 1997



Number of Loyal Customers 1987-1997



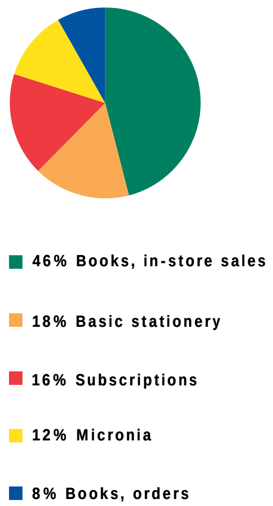
The Household area in the Turku department store was renewed as part of the extension works. The Cup and Pot department shown in the picture prominently features Stockmann's own Casa brand.

Integrating Academic into the department stores

Academic Bookstore

The Academic Bookstore offers its customers books and magazines as well as microcomputer and stationery products in localities in Finland where Stockmann has department stores: in the centre of Helsinki and in the Itäkeskus shopping centre as well as in Tapiola, Tampere and Turku. The bookstore's main succes factors are its superior assortments and a high level of personnel expertise.

Sales by Academic Bookstore by merchandise sector (exclusive of tax)



Sales of books published in Finland grew by around 3 per cent. The growth in sales of stationery products and office supplies was about 10 per cent.

The total unit sales volume of computers to companies grew by about 12 per cent. Sales of computers to consumers did not increase, but the growth in sales of peripherals, software and games continued.

Finnish publishers, book clubs and bookstores were banking on the Internet in 1997, and this emphasis will continue in 1998. The international Internet stores, which are specialized in books, are already competitors to be reckoned with.

A big improvement in sales and earnings

The Academic Bookstore's sales inclusive of VAT were FIM 526.4 million, an increase of 11 per cent. Turnover was FIM 462.7 million, up 11 per cent on the previous year.

All the product groups reported excellent sales trends. Only institutional book sales, mainly to corporate customers, declined somewhat.

The Academic Bookstore's gross margin kept pace with the growth in sales. Since costs grew clearly less than sales and the gross margin, operating profit improved considerably and was FIM 21.6 million.

An increased market share

The Academic Bookstore's market share grew in 1997 thanks to good customer service, wide assortments and successful campaigns. Among the campaigns which the bookstore carried out were a book bargain sale – a list of the reduced price books was available for browsing on the Internet for the first time –, the Crazy Days in the spring and autumn, the Academic Breakfast for office supply customers, the Book and Rose Day as well as the Meeting Place and Academic Night events in different localities.

Sales to loyal customers grew by 11 per cent, becoming more important year by year. A greater variety of books was offered to loyal customers.

Changes in the store chain

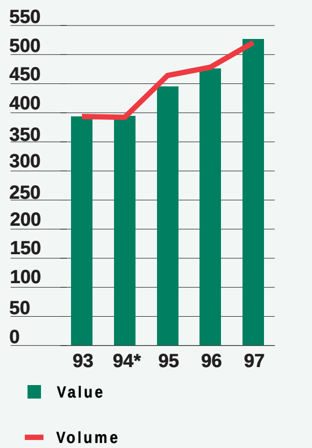
In April the Academic Bookstore in Turku moved into more spacious 1 000 square metre premises in the Hansa Block, right across from the Turku department store. In May the Academic Bookstore in Itäkeskus shopping centre in Helsinki

Academic Bookstore		1997	1996	1995
Sales	FIM mill.	**526.4**	475.7	444.8
Proportion of Group sales	%	**6.4**	6.4	7.1
Profit from operations before depreciation	FIM mill.	**26.1**	18.7	19.8
Operating profit	FIM mill.	**21.6**	14.6	15.8
Return on investment	%	**20.6**	15.5	18.8
Investments	FIM mill.	**8.5**	5.5	4.1
Staff Dec. 31		**692**	638	579

Sales 1996-1997

	1997	1996	%	Change FIM mill.
Helsinki	**316.5**	297.6	6.3	18.9
Tampere	**40.3**	36.3	11.0	4.0
Turku	**36.2**	32.5	11.4	3.7
Tapiola	**32.8**	25.2	30.2	7.6
Jyväskylä	**20.3**	18.5	9.7	1.8
Itäkeskus	**21.1**	16.8	25.6	4.3
Oulu	**16.6**	15.1	9.9	1.5
Joensuu	**12.4**	14.3	- 13.3	- 1.9
Lappeenranta	**14.2**	13.8	2.9	0.4
Kuopio	**11.6**	5.3	118.9	6.3
Vaasa	**4.4**			4.4
Total	**526.4**	475.7	10.7	46.6

Sales by Academic Bookstore 1993-1997, FIM million



*change in VAT June 1, 1994

received better and more spacious facilities. A new store was opened in Vaasa in October.

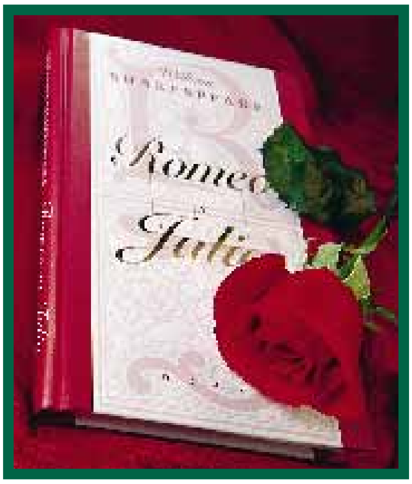
In the autumn it was decided to develop the operations of the Academic Bookstore in closer cooperation with Stockmann's department stores in the department store localities. It was thus decided to peel off the local Academic Bookstores that operate in localities where Stockmann does not have a department store. The bookstores in Jyväskylä, Oulu, Joensuu, Lappeenranta, Kuopio and Vaasa were sold to the Finnish Bookstore and became a part of its operations, effective January 1, 1998. The Academic Bookstore's Institutional Services Department will continue to cater to its nationwide clientele.

Efficiency through integrated operations

The objective of closer cooperation between the department stores and the Academic Bookstore is to form an organizationally efficient and smoothly running operation that will be capable of increasing its market share and achieving savings through cooperation.

The renewed joint organization of the Department Store Division and the Academic Bookstore became operational in January 1998. The Academic Bookstores are a part of Director Henri Bucht's area of responsibility, along with the department stores in Finland. Stig-Björn Nyberg was appointed director of the Academic Bookstore, effective January 1, 1998, and he will also be directly in charge of the Academic Bookstore in Helsinki. He will furthermore coordinate the commercial operations of the Academic Bookstores in the Itäkeskus shopping centre, Tapiola, Tampere and Turku. Director Doris Stockmann handed over her duties as director of the Academic Bookstore on January 1, 1998 and took on special tasks until she retired on March 1, 1998.

Finland's former President Mauno Koivisto was interviewed at a weekly event called the Meeting Place in October. The moderator was Stig-Björn Nyberg, who took over as director of the Academic Bookstore at the beginning of 1998.



The Book and Rose Day was celebrated for the first time in April.

The Academic Bookstore in Turku moved into new premises in March.

Automotive Sales Division

Stockmann's Automotive Sales Division serves its customers at nine full-service sales outlets in the Greater Helsinki area and at two outlets in the Turku economic area. The division's success is based on high quality products, a very wide range of makes and models, competitive prices thanks to large volumes and good and reliable customer service. The vehicles sold are Ford, Volkswagen, Audi, Seat, Mitsubishi and Skoda cars and an extensive selection of trade-in vehicles. The repair shops and spare parts services are areas where good quality and reliable customer service are particularly important.

The growth in Finland's motor trade did not continue as strongly in 1997 as it did in the previous three years. A total of 104 507 new cars were sold, an increase of 9.1 per cent on the previous year. The growth rate in the Greater Helsinki market was slightly higher than in the rest of the country. The growth in the Turku economic area also exceeded the country's average. The total volume of the motor vehicle trade was still at a modest level in spite of the growth that took place. In the 1980s, an average of about 140 000 new cars were sold each year. The popularity of diesel cars grew in 1997 and their share of car sales rose to nearly 15 per cent.

Sales of vans grew by nearly a third. A total of 11 701 new vans were registered during the year.

European car makes retained their strong hold on the overall market.

A tough battle for market shares was again waged in the growing total market. This led in part to unhealthy price competition which, if it continues, will weaken profitability in the field. The increased need for operating capital to fuel growth and the financing of a number of necessary investments will pose problems for many players. The shakeout in the motor trade is continuing and it will mean further consolidation and the appearance of bigger entities.

On June 1, 1997, Stockmann became a Mitsubishi and Skoda dealer in the eastern Helsinki area and in Turku, whereas it gave up sales and servicing of Nissan vehicles in the summer 1997.

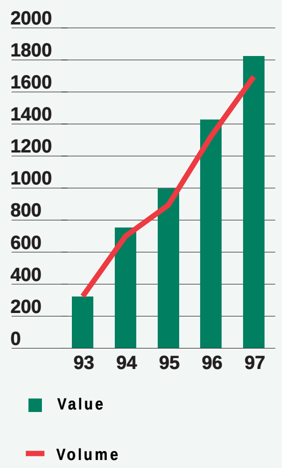
Sales growth continues, bringing improved profits

Sales by the Automotive Sales Division inclusive of VAT increased by FIM 395.2 million, to FIM 1 824.8 million. The division's turnover was FIM 1 500.8 million, up FIM 326.2 million, or 28 per cent on the previous year. A good third of the growth in turnover came from newly established outlets. Growth on a same outlet basis was 17 per cent, which meant that the Automotive Sales Division again succeeded in increasing its sales clearly faster than the growth of the market as a whole.

Operating profit was FIM 27.9 million, an increase of FIM 9.4 million on last year's figure. The improved result was attributable not only to the increase in volume, but mainly to the fact that the new outlets that were started up and acquired in 1996 operated for the whole year as part of the Automotive Sales Division and the benefits of chain-type operations began to show up in their

Automotive Sales Division		**1997**	1996	1995
Sales	FIM mill.	**1 824.8**	1 429.6	996.2
Proportion of Group sales	%	**22.0**	19.3	15.9
Profit from operations before depreciation	FIM mill.	**33.3**	22.8	23.4
Operating profit	FIM mill.	**27.9**	18.5	20.8
Return on investment	%	**10.3**	7.8	11.5
Investments	FIM mill.	**11.1**	17.8	4.0
Staff Dec. 31		**564**	493	340

Sales by Automotive Sales Division 1993-1997, FIM million



results. The operating profit of outlets that already belonged to the division continued to develop in step with the growth in sales. This was due to the growth in volume and to the fact that the relative share of costs diminished thanks to greater operational efficiency.

The turnover rate of stocks of trade-in vehicles improved. During the year particular attention was continually paid to the marketability of the stock of trade-in vehicles.

The market leader in the Greater Helsinki area

The Automotive Sales Division is organized into three product lines according to its principals. Within Stockmann's car sales, Volkswagen captured the position as the largest selling car of the year, with sales up 7.6 per cent. Of the so-called big makes, Ford clearly made the largest gain in nationwide sales (18.5 per cent). The growth in Audi's nationwide sales was 61.4 per cent, Mitsubishi's 31.2 per cent and Skoda's 82.1 per cent. Sales of Seat grew by 12.8 per cent.

Stockmann sold a total of 17 292 vehicles, of which 9 204 were new vehicles. The VW, Audi and Seat line sold 4 143 vehicles (up 4.5 per cent) and the Ford line 4 272 vehicles (up 43.5 per cent). Sales by the Mitsubishi-Skoda line in the latter part of the year ended at a figure of 369 vehicles.

In the sale of new vehicles the Automotive Sales Division was the market leader in the Greater Helsinki area, achieving a market share of over 25 per cent.

The number of trade-in vehicles sold was 8 088 (up 24.9 per cent). Sales of trade-in vehicles in the Greater Helsinki area suffered from a supply shortage and the number of trade-in vehicles in stock was low all year long. The stock turnover rate remained good throughout the year.

The Ford Mondeo Wagon combines roominess, safety, a wide range of accessories and driving characteristics that are pure enjoyment.

The new Volkswagen Passat Variant is dynamic in appearance, progressively engineered and at the same time safe and a delight to drive.

The completely renewed Audi A6 draws on the styling of the Audi Roadster and TT Coupé.

Automotive Sales Division

Thanks to new GDI direct injection technology, the Mitsubishi Carisma consumes 20 per cent less petrol, yet boasts a clearly higher performance than conventional cars.

No-hassle driving: the new Skoda Octavia.

The fascinating Ford KA drove straight into the heart of Finns.

More servicing capacity must be added

The capacity of the servicing and repair operations was in full use at all the outlets. The waiting lists at the repair shops - particularly for the VW, Audi, Seat product line - were still too long from the standpoint of good customer service. During the year the repair shop capacity of the VW, Audi, Seat line was increased considerably but these measures are nevertheless not yet sufficient. The line's repair shop capacity will be further increased in 1998.

The capacity of the Ford product line in the Greater Helsinki area appeared to be more in sync with demand. Its capacity has also been increased. There is sufficient servicing and repair capacity for the Mitsubishi-Skoda product line.

To ensure the continuous development of servicing and repair functions, the position of development director for after-market sales, which is at the Automotive Sales Division's Management Group level, was established, effective January 1, 1998.

Operations expand further

The Automotive Sales Division again went through a number of important changes during the financial year.

Stockmann bought from Helkama-Auto Oy the Helkama-Auto Center (Helsinki) and Autotalo Helkama (Turku) business operations and thus began to act as a Mitsubishi and Skoda dealer as from June 1, 1997. The dealership's marketing territory is eastern Helsinki and the Turku economic area. At the beginning of 1998, a second Mitsubishi-Skoda outlet was opened in Helsinki.

To expand its Ford product line, Stockmann built a new outlet and offices in Herttoniemi. They were opened to the public on October 15, 1997. The van and truck centre functions of the Ford product line were also transferred to the new business premises. The new facilities will make it possible to develop the increased operations in the Herttoniemi area in the years ahead. At the Tikkurila outlet of the Ford product line, changes enabling an increase in repair shop capacity were made, mainly through internal arrangements.

Stockmann bought from Kesko the Vantaa outlet and offices of the VW, Audi, Seat product line, where an approximately 500 square metre extension to the sales area is to be carried out in 1998. The repair shop capacity will be doubled through internal arrangements in the building. At the Herttoniemi outlet a large extension was carried out which added about 1 000 square metres of space to the showroom and was completed in January 1998. A separate Audi showroom was also built as an annex to the Herttoniemi outlet.

A project aiming to upgrade the Automotive Sales Division's information systems was also started in 1997. The new systems will make possible the development of a number of functions and further boost the effectiveness of operating as a chain.

The division's own capital expenditures amounted to FIM 11.1 million. In addition, the Real-Estate Unit invested FIM 85.5 million in real-estate property for the Automotive Sales Division.

During 1997 further outlays were made on developing the quality systems and on the continuing process of improving customer service.

The Nissan functions were given up on July 31, 1997.

Good possibilities to increase sales

It appears that the growth in the Finnish motor trade will continue in 1998. The rate of growth in demand will nevertheless slow down. It is estimated that about 112 000 new cars will be sold in 1998, an increase of about 7 per cent.

The Automotive Sales Division continues to have good opportunities to increase its sales. In the first half of the year, growth possibilities will nevertheless be hampered by the short supply of Volkswagen cars and their long delivery times. It is believed that the situation will improve in the autumn. Profitability is likely to remain at least at the same level as in 1997.

The new Generation Golf writes a new chapter in the Golf success story.

The Automotive Sales Division also offers a number of accessories pre-installed. Here the kiddie seat is being adjusted.

Hobby Hall

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 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 continued their strong growth. Sales inclusive of VAT rose to FIM 1 071.2 million, an increase of 12.3 per cent, or FIM 117.2 million. Turnover was FIM 882.3 million.

Hobby Hall's operating profit grew by FIM 3.0 million on the previous year, rising to FIM 59.8 million.

A strong market leader

1997 was not an especially successful year for mail order sales in Finland. The total growth in mail order sales is estimated to be only 6.2 per cent, although many new - mainly Swedish - companies expanded their operations to Finland. The rate of Hobby Hall's sales growth was double this figure. At the same time, Hobby Hall's sales in Finland grew to become larger than the sales of any other Nordic mail order sales company in a single country.

All the campaigns, especially the new special catalogues sent out to loyal customers, registered better success than they did a year earlier. Only the Camping and Fishing catalogue and the Loyal Customer's Summer Catalogue, which came out in the spring, fell short of their targets.

Large household appliances and televisions were sold to the tune of more than FIM 100 million. In a short time this product sector has become an important part of Hobby Hall's operations, and the future looks good. Sales of clothing remained at the previous year's level.

Sales of the largest product group, textiles for the home, fared well. To cite an example, some 375 000 sets of quilt covers were sold.

1.2 million calls and 2.4 million parcels

About half of the orders are phoned in. During the busiest days, Hobby Hall's customer service received more than 10 000 calls. All in all, about 1.2 million calls came in during the year, about half of them resulting in orders. An alternative that has been offered alongside personal telephone service is the possibility of calling in to an interactive voice response system. This functions very well, particularly during rush periods, and already 45 000 orders have been booked this way.

The number of packages sent out has risen by a million in three years, rising to about 2.4 million. The shipping capability has nevertheless been kept up at a fairly good level by streamlining functions and going over to a night shift at the dispatch centre.

In addition to in-store purchases, customers can now also use their Stockmann account card as an alternative way of paying for their mail order purchases.

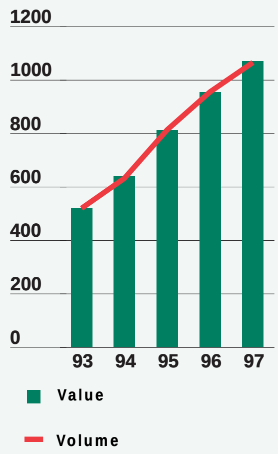
Growth continues in Estonia too

Sales in Estonia continued their growth and were FIM 121.2 million (up 26.0 per cent). Thanks to credit sales to loyal customers, the average value of orders has also risen clearly. In spite of this, credit losses have remained low. The cost of foreign exchange contracts taken out to hedge receivables in Estonian currency amounted to a couple million markkaa.

The catalogue aimed at recruiting new customers was expanded in Au-

Hobby Hall		**1997**	1996	1995
Sales	FIM mill.	**1 071.2**	954.0	812.4
Proportion of Group sales	%	**12.9**	12.9	13.0
Profit from operations before depreciation	FIM mill.	**66.7**	61.6	65.6
Operating profit	FIM mill.	**59.8**	56.8	61.8
Return on investment	%	**15.8**	19.1	24.3
Investments	FIM mill.	**13.5**	3.9	10.3
Staff Dec. 31		**534**	469	399

Sales by Hobby Hall 1993-1997, FIM million



gust to a 550 000 printing covering all Estonian households. At the end of the year the number of customers had already risen to 140 000, of whom a whopping 71 000 had registered as loyal customers.

Stores expanded

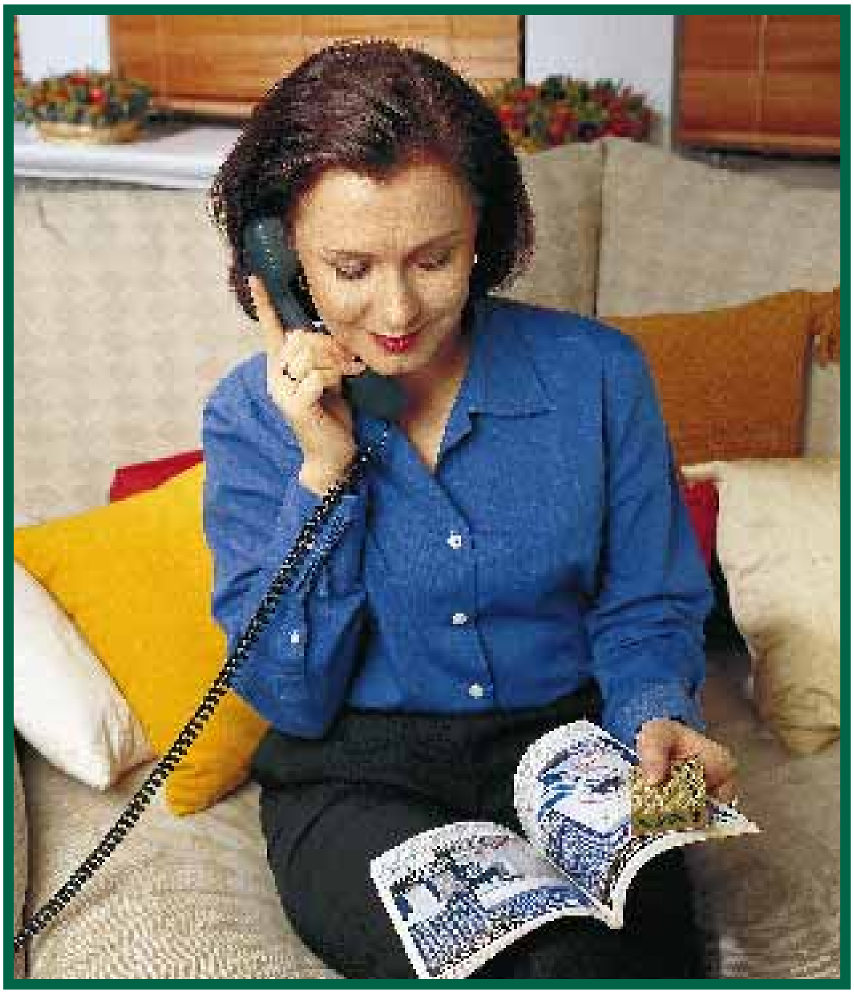
Hobby Hall's Helsinki store was renewed and expanded, giving it 1 619 square metres of retail space. The extension to the Vantaa store was completed just in time for the Christmas market. Its retail space grew to 1 354 square metres. The growth in the retail space showed up right away in the higher sales figures. Sales by the Vantaa store amounted to FIM 81.8 million (up 14.4 per cent), whereas the Helsinki store recorded sales of FIM 48.9 million (up 23.5 per cent). Christmas sales in particular grew significantly: by 52 per cent in Helsinki and by 28 per cent in Vantaa. During the year a decision was taken to build a third store. The 1 200 square metre store that will be opened in Friisilä, Espoo, in September 1998 will also seek to attract new customers in addition to its functions that support mail order sales.

A good foundation for future success

The general trend in mail order sales in 1997, particularly in the latter part of the year, gives grounds for assuming that in the face of the general tightening of competition in the retail trade, the total market will not grow substantially in the current year. Over the longer term, however, prospects are brighter.

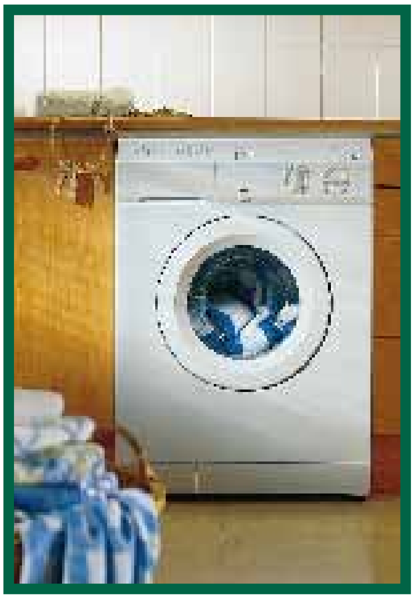
Hobby Hall's customer register, which is by far the largest in its market area, together with the best price/quality image and customers' confidence in its operations, provides a good foundation for further increases in sales and market share and for maintaining a good level of earnings.

The planning of measures to boost the efficiency of the logistics functions for the warehouse and dispatching centre is moving ahead. Hobby Hall aims to put a thoroughly modernized picking and packaging system into use in 1999. This solution will contribute to ensuring Hobby Hall's competitiveness and future growth possibilities.



About half of the orders are phoned in. All in all, about 1.2 million phone calls were received during the year.

Although the number of packages sent out has risen rapidly in recent years, Hobby Hall has maintained a good delivery capability.



Hobby Hall sold large appliances and televisions to the tune of FIM 100 million in 1997.

Sesto

The traditional Sestos that operate in the Greater Helsinki area are service-minded, high-quality and moderate-price supermarkets that offer product selections which are by far the best in their size class. The Sesto Etujätti markets that operate in Espoo, Vantaa, Turku and Tampere are modern hypermarkets whose competitiveness is based on large product assortments, delicious speciality counters, shopping convenience and overall thrift.

Sesto's sales inclusive of VAT totalled FIM 924.2 million in 1997. The same-store trend in sales was +1.5 per cent, which corresponds to the general trend in the supermarket goods trade. Sesto's turnover was FIM 782.3 million. Operating profit rose to FIM 15.0 million. The biggest factor accounting for the growth in operating profit was the improvement in profit from operations before depreciation of the Etujätti chain.

New stores were not opened in 1997, which meant that capital expenditures fell to FIM 4.5 million, from the previous year's FIM 13.3 million.

Efficient ways of working

The combining of the food purchasing organizations of the Department Store Division and Sesto, which was carried out at the beginning of 1997, improved purchasing terms and streamlined dealings with suppliers. Sesto's own imports were added as part of the assortment strategy and its policy of offering what customers want. The chain concepts of the traditional Sestos and the Etujätti hypermarkets were updated and marketing was enhanced.

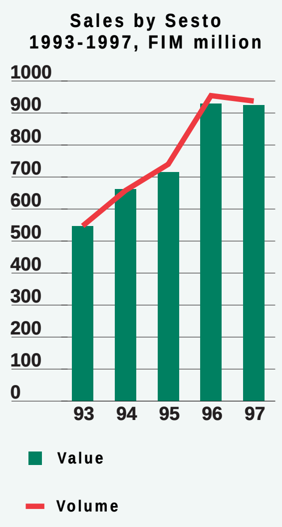
Sesto invests in environmental savvy

At the beginning of last year, Sesto launched an environmental affairs development project that was kicked off by studying both customers' and the personnel's attitudes to environmental affairs. Sesto also created a monitoring system as a tool for developing environmental competence. As the project advanced, Sesto's entire personnel were trained: the objective is not only improved customer service but increasingly environmentally friendly and cost-saving operations. An employee in charge of environmental affairs was named for each store.

Outlook for 1998

The largest investment in 1998 will be the opening of a second Etujätti hypermarket in Turku. Building of the new 4 500 square metre Etujätti represents an investment of about FIM 45 million, which will lead to greater efficiency in reaching customers in the Turku area. The building will also house a Seppälä store. The location of the new Etujätti right near the Kupittaa railway station

Sesto		1997	1996	1995
Sales	FIM mill.	**924.2**	929.1	715.5
Proportion of Group sales	%	**11.1**	12.5	11.4
Profit from operations before depreciation	FIM mill.	**26.1**	19.7	6.8
Operating profit	FIM mill.	**15.0**	7.7	0.1
Return on investment	%	**14.6**	7.4	0.1
Investments	FIM mill.	**4.5**	13.3	17.8
Staff Dec. 31		**672**	668	674

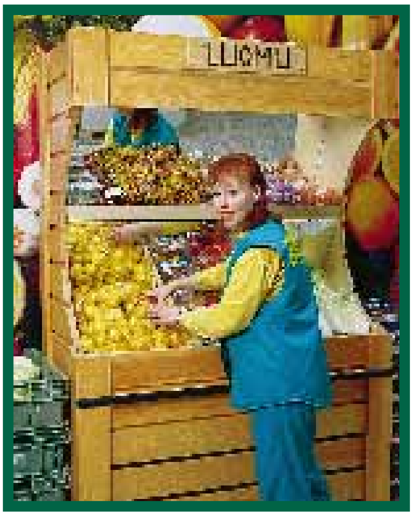


guarantees plenty of customer potential. When the Kupittaa Etujätti is opened, there will be a total of 18 Sesto stores, five of which are Etujätti hypermarkets.

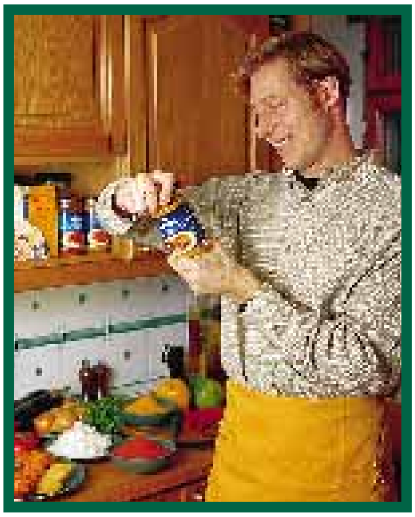
The appearance and offerings of the traditional Sestos will be developed in 1998 to correspond better to customers' changing needs.

Slight growth is forecast for the relatively stable supermarket goods sector, mainly owing to a rise in prices. At the same time, consumption is forecast to move to products with a higher degree of processing. The location of the Sesto stores in areas of strong population growth, coupled with continual inputs into the personnel's customer service ability, longer opening hours and the constant provision of superior and always low-cost assortments, lays the foundation for positive development.

The Forum Sesto now serves its customers on Sundays, too, following the completion of the tunnel that links it to the Helsinki Central Station Tunnel.



Sesto's staff are now better prepared to help customers in environment-related matters. Shown in the picture is Erja Kulo, who is in charge of environmental affairs at the Etujätti Hypermarket in Friisilä, Espoo.



The joint food purchasing organization of Sesto and the department stores will make possible increasingly versatile product assortments that cater for customers' wishes.

seston etujätti

sesto

Seppälä

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 one hundred 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 714.4 million, an increase of 7 per cent on the previous year. Cost-effectiveness improved further. This meant that even after booking larger depreciation, the division achieved operating profit of FIM 76.8 million. Thanks to the effective use of capital, the return on investment remained good.

Thirteen new stores

The volume of textile and garment sales in Finland grew by about 2 per cent. Seppälä had turnover of FIM 588.2 million, up 6.4 per cent on the previous year. The competition situation in the retail garment trade continued to get tougher, and this reinforced the trend towards chain-store operations. Foreign competitors also strengthened their presence in the Finnish market. Seppälä's sales were up within women's, men's and children's fashions as well as cosmetics. Sales of cosmetics showed the relatively largest increase. The purposeful development of the colour cosmetics sector brought results.

During 1997, 13 new stores were opened: in Lapua, Ylöjärvi, Klaukkala, Lappeenranta, Kirkkonummi, Pirkkala, Kaarina, Kajaani, Länsikeskus in Turku, Loviisa, Kemijärvi, Nastola and Kuopio. At the end of the year the Seppälä chain had 94 own stores and three jointly operated stores in 74 localities in Finland. In addition, the Seppälä store in Tallinn is managed by Stockmann's Department Store Division.

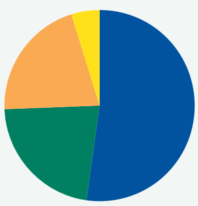
In addition to opening new stores, the fixturings of a number of stores were renewed in connection with relocations or refurbishing. During 1998 all the stores will receive the same functional type of fixturings. The new fixturing solution will make it easier to display goods and it will improve the visual appearance of the stores.

Chain-store strength

Chain-store operations are the strength underlying Seppälä's cost-effectiveness. The marketing of products on television gives the nationwide chain excellent coverage. The resources that have been channelled into improving Seppälä's processes have had a major impact on its good level of earnings.

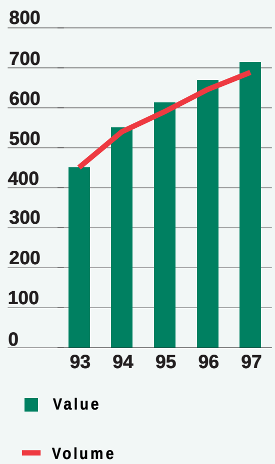
Working procedures were also de-

Sales by Seppälä 1997



Seppälä		1997	1996	1995
Sales	FIM mill.	**714.4**	670.3	613.0
Proportion of Group sales	%	**8.6**	9.0	9.8
Profit from operations before depreciation	FIM mill.	**86.2**	78.2	86.1
Operating profit	FIM mill.	**76.8**	70.6	80.9
Return on investment	%	**62.9**	60.3	86.9
Investments	FIM mill.	**10.6**	16.2	11.0
Staff Dec. 31		**654**	625	580

Sales by Seppälä 1993-1997, FIM million

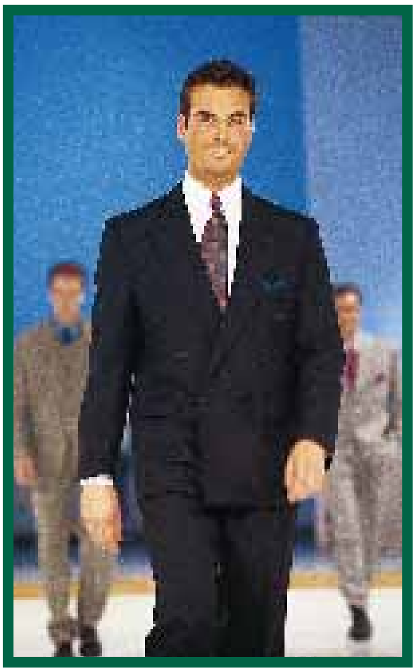


veloped in key areas by means of new equipment. The chain's cash register terminal system that was renewed in the previous year was used more widely to process sales transactions and to transmit documents electronically. The management of materials flows gained in importance. The systems and equipment at the Central Warehouse in Vantaa were developed and procedures were perfected and speeded up. Leadership training for the store managers was continued according to plan.

Positive development will continue

Private consumption is expected to continue its upswing in 1998. Seppälä believes that the positive trend in its own operations will continue even in a tougher competition enviroment. During the spring 1998, stores were opened in Muurame, Parainen, the Laune district of Lahti and the Columbus shopping centre that is located in Vuosaari, Helsinki. In the autumn a store will be opened alongside Hobby Hall and Sesto in Friisilä, Espoo, and another one in the same building as Sesto in Kupittaa, Turku.

Marjatta Björn, Seppälä's managing director, will retire on June 1, 1998. Lars Eklundh has been appointed her successor.



The spring line in clothes fashions is long and narrow. The materials are thin and hang well.

Kids have their very own playfully colourful fashion collection.

The Seppälä store in the Itäkeskus shopping centre increased its sales in spite of keener competition.

The sporty spring collection for men has a fresh classical appeal.

Board Report on Operations

Stockmann's sales grew by 11.7 per cent to FIM 8 289.4 million. Turnover grew by 11.9 per cent and was FIM 6 900.0 million. Operating profit grew by 35.4 per cent to FIM 394.6 million. Profit before extraordinary items, voluntary provisions and income taxes was FIM 415.2 million. Growth on the previous year was FIM 99.3 million, or 31.4 per cent. The operational result includes gains of FIM 31.5 million on the sale of shares held in fixed assets.

Retail sales in Finland

Retail sales in Finland grew by 3.7 per cent in volume terms and by 4.3 per cent in value. The biggest gain, about 8 per cent, was in the total markka amount of vehicle sales. The value of sales of household appliances showed the next best growth, about 6 per cent. Department store sales grew by nearly 4 per cent and sales of supermarket goods by more than two per cent.

Stockmann's sales grow at three times the rate of the retail trade

The growth in Stockmann's sales, 11.7 per cent, was nearly three times that of the average for the retail trade (4.3 per cent) and its market share grew further.

Stockmann's sales grew by 11.7 per cent to FIM 8 289.4 million. Turnover grew by FIM 735.5 million, or 11.9 per cent, and was FIM 6 900.0 million. The largest part of the growth was achieved through increased efficiency in sales operations. New retail space accounted for about a fifth of the growth.

The Automotive Sales Division's turnover showed the biggest growth, as it has in past years, now increasing by 28 per cent compared with 1996. More than a third of the growth came from the new Ford dealerships that were acquired in 1996 as well as from the Mitsubishi-Skoda dealerships in Helsinki and Turku that were purchased in May 1997. On the other hand, the Automotive Sales Division's turnover was reduced by the handing over of the Nissan dealership to the importer on August 1, 1997.

The trend in Hobby Hall's turnover was good both in Finland and in Estonia, and it grew by 14 per cent.

Turnover of the Department Store Division increased by 9 per cent. In Finland sales were up 8 per cent, whereas they rose by 20 per cent abroad. Turnover of the International Operations units grew, mainly due to the good trend in the sales of the Tallinn department store. In the comparison figure for the previous year, the sales of the Tallinn department store are included only for nine months because the department store was opened in April 1996. International operations grew to 16 per cent of the Department Store Division's turnover, from 14 per cent a year earlier.

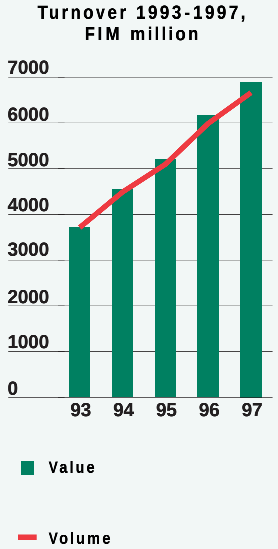
The 11 per cent increase in Academic Bookstore's turnover and the 6 per cent increase in Seppälä's exceeded the average growth rate in the retail trade. Sesto's turnover fell by one per cent because its network of stores contracted at the end of 1996 when the lease on the store in Olari, Espoo, ran out. Sesto's same-store turnover nevertheless was up by more than one per cent.

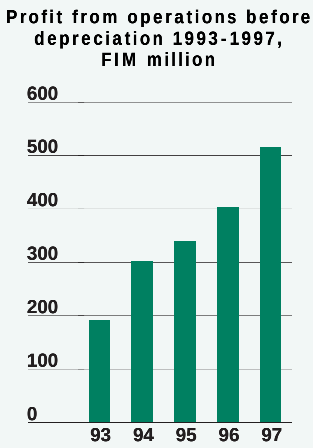
Earnings improve significantly

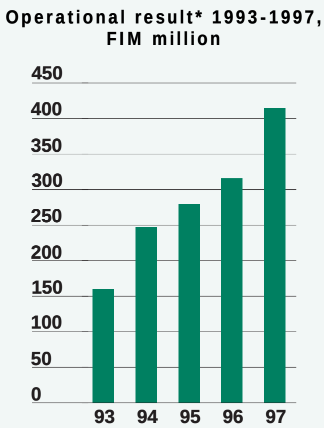
Owing to the very good earnings trend in the latter part of the year, Stockmann's

Turnover, FIM million

	1997	1996	Change %
Department Store Division	**2 685.0**	2 455.9	9.3
– department stores in Finland	**2 267.1**	2 107.6	7.6
– international operations	**417.9**	348.3	20.0
Automotive Sales Division	**1 500.8**	1 174.6	27.8
Hobby Hall	**882.3**	775.2	13.8
Sesto	**782.3**	786.9	- 0.6
Seppälä	**588.2**	553.0	6.4
Academic Bookstore	**462.7**	418.7	10.5
Real Estate	**107.7**	101.3	6.3
Eliminations	**- 109.1**	- 101.1	7.9
Total	**6 900.0**	6 164.5	11.9







* profit before extraordinary items, voluntary provisions and income taxes

net profit improved more than was forecast last August when the half-year report for 1997 was prepared. A factor contributing to the improvement in net profit was the gains on sales of shares held in fixed assets, which boosted other operating income by FIM 16.5 million to FIM 31.5 million. During the year under review Stockmann sold the shares it owned in the MTV Oy, a Finnish commercial television company, as well as half of its shares in Kesko Oy (Wholesale Corporation).

Stockmann's gross margin on ordinary operations grew by FIM 182.8 million, or 9.6 per cent, to FIM 2 084.0 million. The gross margin declined slightly from the previous year's 30.8 per cent to 30.2 per cent. This was due to the strong growth in sales by the Automotive Sales Division, which has a considerably lower gross margin in per cent terms than do the other units. Fixed costs of all the units grew less than the gross margin in markka amounts.

Profit from operations before depreciation, including other operating income, improved by FIM 111.4 million to FIM 515.2 million, or by 27.6 per cent. Depreciation increased by FIM 8.2 million from the previous year and totalled FIM 120.6 million. Operating profit grew by FIM 103.2 million and was FIM 394.6 million.

Net income from financial operations diminished by FIM 3.9 million from the previous year, to FIM 20.6 million, due to the fact that interest expenses grew more than interest income. Interest expenses were increased by the FIM 300 million note issue that was floated in October 1996.

The operational result, or profit before extraordinary items, voluntary provisions and income taxes, was FIM 415.2 million, an increase of FIM 99.3 million on the previous year.

Since there were no extraordinary income or expenses, the profit before voluntary provisions and income taxes was also FIM 415.2 million.

Direct taxes increased by FIM 19.9 million to FIM 117.8 million. Transitional provisions totalling FIM 122.7 million were discharged and accelerated depreciation was increased by FIM 119.6 million.

Net profit grew by FIM 82.9 million on the previous year and was FIM 300.5 million.

The return on investment improved from 13.3 per cent to 15.6 per cent thanks to the increase in net profit. The return on equity likewise improved from 11.4 per cent to 14.4 per cent. Earnings per share grew by FIM 4.98, rising from FIM 15.13 to FIM 20.11.

Stockmann's market capitalization grew by more than a billion markkaa, from the previous year's figure of FIM 4 010 million to FIM 5 036 million at the end of 1997.

The dividends paid for the 1996 financial year grew by FIM 7.3 million from the previous year and amounted to FIM 108.2 million. The Board of Directors will propose to the Annual General Meeting that a dividend of FIM 9.00 per share be paid for 1997, thus raising the dividend payout by FIM 21.8 million to FIM 130.0 million.

All the commercial units report higher operating profit figures

The operating profit of the Department Store Division grew by FIM 54.1 million on the previous year and was FIM 172.8 million. More than half of the growth in operating profit came from domestic operations. The operating profit of the International Operations units grew by nearly as much, mainly owing to the good earnings trend of the Tallinn department store. The Department Store Division's return on investment jumped from the previous year's 18.0 per cent to 24.7 per cent.

The outlays made in recent years on increasing the business operations of the Automotive Sales Division showed up in its result. The division's operating profit grew by FIM 9.4 million on the previous year and was FIM 27.9 million. The return on investment notched up from the previous year's 7.8 per cent to 10.3 per cent.

Hobby Hall's operating profit grew by FIM 3.0 million and was FIM 59.8 million. The return on investment nevertheless fell by more than three percentage points to 15.8 per cent as a result of the growth in operating capital.

Sesto's result showed positive development due to both the growth in the gross margin and the reduction in expenses. The bulk of the increase in profits came from the Etujätti hypermarket chain, which has firmly established its operations after several years of continued capital expenditures. Sesto's operating profit grew by FIM 7.3 million to FIM 15.0 million. Thanks to the improved earnings, the return on investment also rose from the previous year's 7.4 per cent to 14.6 per cent.

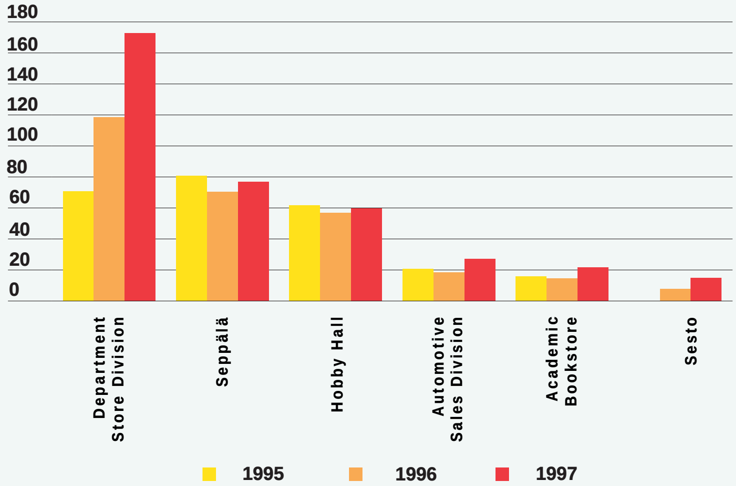
Seppälä's result continued to develop well and its operating profit grew by FIM 6.2 million to FIM 76.8 million. The return on investment also increased from the previous year's high level of 60.3 per cent to 62.9 per cent.

Academic Bookstore's operating profit rose by FIM 7.0 million to FIM 21.6 million, mainly owing to its higher sales figures. The return on investment also grew by 5.1 percentage points from the previous year and was 20.6 per cent.

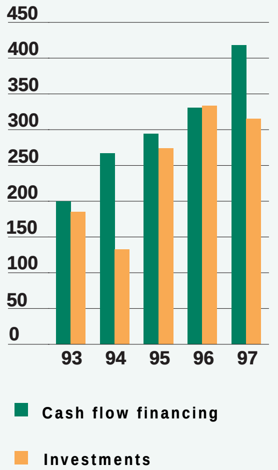
The Real-Estate Unit's rental income grows

The Real-Estate Unit's income consists mainly of internal rents which Stockmann's own commercial units are charged and which correspond to market rents. As a consequence of rental

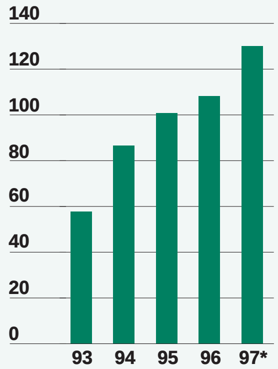
Operating profit of the commercial units 1995-1997, FIM million



Cash flow financing and investments 1993-1997, FIM million

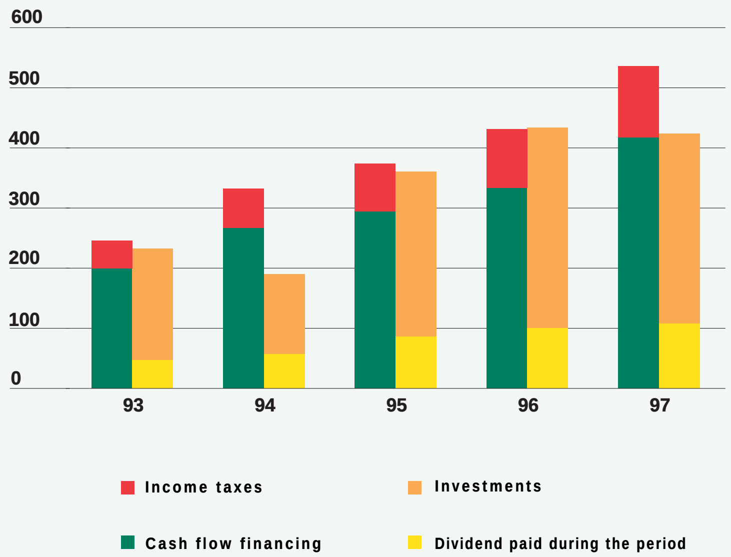


Dividend paid for the period 1993-1997, FIM million



* Board proposal to the AGM

Cash flow financing, income taxes, dividend paid and investments 1993-1997, FIM million



income obtained from new business premises, the Real-Estate Unit's operating profit grew by FIM 3.8 million and was FIM 84.9 million.

Liquid funds at the same level

Stockmann's liquidity was again good. After paying income taxes of FIM 117.8 million, cash flow financing was FIM 418.0 million. This sufficed to cover a dividend payout of FIM 108.2 million as well as capital expenditures of FIM 315.2 million almost in their entirety. Funds committed to operating capital likewise grew by FIM 73.7 million.

During the year loans were paid off in the amount of FIM 36.3 million, and FIM 49.8 million of new long-term loans was raised.

The amount of liquid funds diminished by FIM 8.2 million and amounted to FIM 380.8 million at the end of the year.

The equity ratio remained at the previous year's high level and was 55.6 per cent (54.0 per cent as at December 31, 1996).

Capital expenditures on a par with the previous year

Capital expenditures on fixed assets totalled FIM 315.2 million, as against FIM 333.2 million in 1996. The most important of the projects completed during the year was the Ford outlet in Helsinki's Herttoniemi district, which the Automotive Sales Division opened for business in the autumn. Its total costs amounted to FIM 42.1 million. In the spring 1997 Stockmann purchased from Kesko Oy the VW, Audi and Seat lines' outlet in Vantaa for the Automotive Sales Division, paying FIM 17.7 million. At the end of the year, the business premises of the Mitsubishi-Skoda outlets in Turku and Herttoniemi, Helsinki, were purchased for a total price of FIM 25.7 million. The Helkama Auto-Center Oy and Autotalo Helkama Oy companies, which represent Mitsubishi and Skoda, were purchased from Helkama Oy in May 1997 for a price of FIM 9.3 million.

In Turku a total of FIM 21.0 million was invested in expanding and furnishing the department store and on new premises for the Academic Bookstore. The extension to the Helsinki department store, including the pedestrian tunnel linking the department store with the underground car park of the Forum shopping centre, was completed in the first part of last year. The total cost of the project was FIM 42.4 million, of which FIM 13.0 million was allocated to 1997.

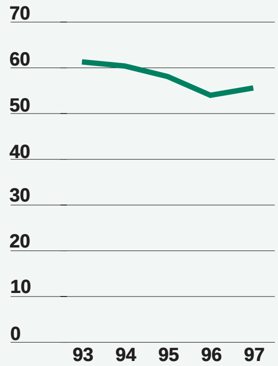
The biggest of the company's investments in shares was the acquisition of a 14 per cent stake in TukoSpar Oy, for which it paid Kesko Oy FIM 32.9 million in February. The EU Commission gave its final approval of the deal in April 1997.

The largest of the capital expenditures in progress is the extension to the Tapiola department store. The construction works were started in the autumn 1997 and the extension will be completed in September 1998. About 3 800 square metres of retail space will be added to the department store and it will also gain a large amount of new parking space. Part of the investments will go towards improving the attractiveness of the environment in the centre of Tapiola. The total cost estimate for the project is FIM 120 million, of which FIM 36.4 million was committed in 1997.

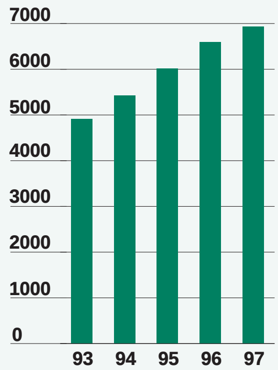
Of the other capital expenditures, FIM 3.6 million went for buildings, FIM 75.8 million for machinery and equipment, FIM 25.0 million for long-term investments, FIM 10.1 million for shares and FIM 2.6 million for plots of land.

The most important of the capital expenditures started after the turn of the year was Sesto's fifth Etujätti hypermarket, which is to be built in Turku's Kupittaa district. A Seppälä store will occupy the same building. The project

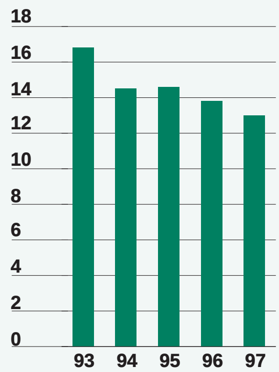
Equity ratio 1993-1997, %



Average number of staff 1993-1997



Staff costs 1993-1997, % of turnover



will be completed in the autumn 1998 and its total cost estimate is FIM 45 million. In Friisilä, Espoo, a store building that will be shared by Hobby Hall and Seppälä is being built and it is scheduled for completion towards the end of the year. The total cost estimate for the project is FIM 15 million. In Tampere, too, a new project is getting under way. The owner of the department store property will carry out an extension to it now that the modification to the town plan, which was necessary for the extension, was approved by the Tampere City Council in December. According to plans, the extension will be completed in the spring 1999.

A larger payroll

Stockmann's payroll at the end of December was 7 607 employees, or 535 employees more than a year ago. Converted to full-time staff, the payroll grew by 469 employees and was 6 508 employees at the end of the year. The increased number of employees was due to the stepped up resources to improve customer service, the longer opening hours and the new units that were opened during the year. The staff at international units grew by 39 people. At the end of the year, 757 Stockmann employees worked abroad, of whom 22 were Finns.

The average payroll during the year was 6 934 people, or 345 people more than in 1996. The parent company's payroll was on average 5 137, an increase of 207 people on the previous year.

The Academic Bookstore becomes a part of the department stores

At the end of 1997 it was decided to peel off the local Academic Bookstores in localities where Stockmann does not have a department store. Stockmann and the Finnish Bookstore signed an agreement according to which the Academic Bookstores in Jyväskylä, Oulu, Joensuu, Lappeenranta, Kuopio and Vaasa became a part of the Finnish Bookstore chain, effective January 1, 1998.

In the same connection it was decided to firm up cooperation between the Academic Bookstore and the department stores in localities where Stockmann has a department store. The objective is to offer the Academic Bookstore's customers better service and to develop cooperation with the department stores in marketing, product assortments, logistics and administration. The new joint organization became operational on January 1, 1998.

Board of Directors' proposal to the Annual General Meeting concerning halving of the par value of the company's share, a bonus issue, a rights issue and share options offered to loyal customers

The Board of Directors will propose to the Annual General Meeting, as a total package to be decided, that the par value of the share be halved such that one share with a par value of FIM 20 be divided into two shares with a par value of FIM 10, after which the company will arrange a simultaneous bonus issue and rights issue as well as offer share options to the company's loyal customers.

The purpose of halving the par value of the shares, carrying out the share issues and offering share options is to improve the liquidity of the shares, support the company's growth strategy, strengthen customer loyalty and improve the company's competitive position.

In the bonus issue, shareholders will be entitled to subscribe free of charge one new Series A share for two Series A shares with a par value of FIM 10 and one new Series B share for two Series B shares with a par value of FIM 10. As a result of halving the share's par value and carrying out the bonus issue, the number of shares outstanding will treble to 44 053 830 shares and the share capital will increase by 50 per cent to FIM 440 538 300.

In the rights issue, four Series A or Series B shares with a par value of FIM 10 which were held prior to the bonus issue will entitle their holders to subscribe one new Series B share with a par value of FIM 10 at a price of FIM 75 per share. As a consequence of the rights issue, the share capital will be increased by a maximum of FIM 73 423 050 to FIM 513 961 350 and a maximum of FIM 477 249 825 will be transferred to the Premium on share issue fund.

The share options are to be offered by waiving shareholders' pre-emptive right to subscribe shares such that private persons who are at the same time Stockmann's loyal customers whose purchases together with the purchases made with other parallel cards that are charged to the same account were at least FIM 5 000 during 1997 will be entitled to receive a free option conferring the right to subscribe ten Series B shares in April and May, 2000. For each full FIM 1 000 by which the purchases calculated in the above-mentioned manner exceed FIM 5 000, the loyal customer will receive a free additional option on the basis of which he or she can subscribe a further two shares. The Board of Directors proposes that the subscription price to be set for shares subscribed on the basis of the options be the weighted average price on the stock exchange days from March 30 to April 17, 1998, with the further provision that in carrying out the calculations, the effects of the above-mentioned halving of the par value, as well as the bonus issue and rights issue be taken into account. As a consequence of the subscriptions made on the basis of the options offered to loyal customers, the share capital can be increased by a maximum amount of about FIM 24 million.

Amendment of the Articles of Association

The Board of Directors will propose to the Annual General Meeting that the Articles of Association be amended in the manner required by the Companies Act. One immediately visible proposal is the changing of the company's official business name to STOCKMANN Oyj Abp, in English STOCKMANN plc.

In this connection the Board of Directors also proposes that the structure of the Articles of Association be altered for better readability, that the wording be revised and that a large number of other amendments be made to the Articles of Association. The main content of the proposed amendments will be presented in the Notice of Meeting. A detailed presentation of the amendments is available for public scrutiny at the company's head office no later than one week before the Annual General Meeting, as provided for in the Companies Act, and it will be sent to shareholders upon request.

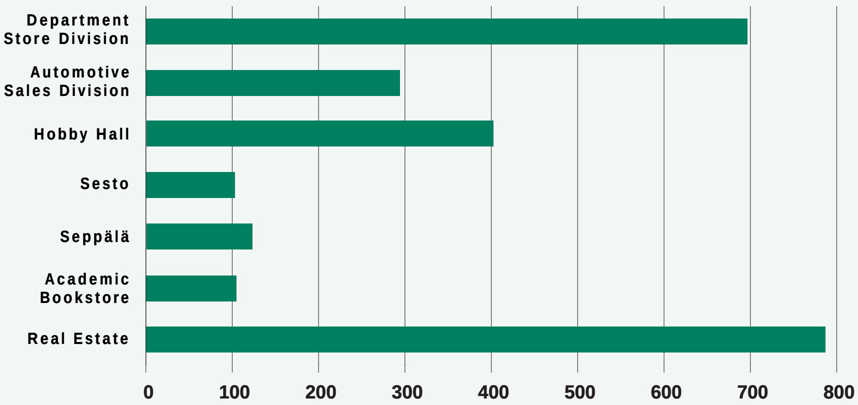
Outlook for 1998

The growth in private consumption is forecast to continue at a level of about four per cent in 1998. Sales by the retail trade are expected to grow in the current year just as strongly as they did in 1997. It is also believed that the general economic trend will continue on its favourable course, though the growth is likely to slow down over the next few years.

The good future outlook for the retail trade and the investments that have been made over the past years are expected to have a positive impact on the sales and earnings of Stockmann's commercial units. The growth in Stockmann's sales is forecast to continue at nearly the same strong pace as in 1997. The expectations for growth are based on both the incremental sales increase brought by the new retail space and further increases in the sales efficiency of the old units.

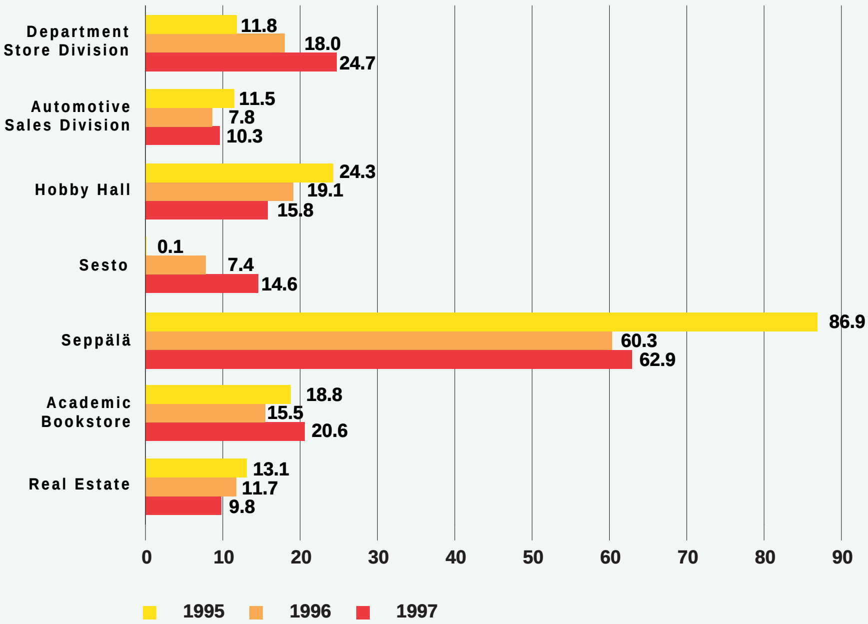
The Board of Directors estimates that the result before extraordinary items, voluntary provisions and income taxes for 1998 will be at least as good as it was in 1997.

Capital invested 1997, FIM million



Return on investment, percentage* 1995-1997

*operating profit according to management accounting as a ratio of capital invested



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, 99.8 per cent of the company's shares outstanding had been registered in the book-entry system.

There were about 11 000 shareholders at the end of 1997.

Share capital of OY Stockmann AB, December 31, 1997

Series A:	8 289 631 shares at FIM 20 each = FIM 165 792 620
Series B:	6 154 979 shares at FIM 20 each = FIM 123 099 580
Total:	14 444 610 shares at FIM 20 each = FIM 288 892 200

During 1997, 15 000 Series B shares were subscribed with warrant B of the 1994 issue of bonds, thereby increasing the share capital by FIM 300 000 to FIM 288 892 200, and the total amount of Series B shares outstanding is 6 154 979.

Development of Stockmann's share price

During the financial year the prices of shares traded on the Helsinki Exchanges rose by 32.31 per cent as measured by the HEX general index. The trade index rose by 20.69 per cent.

The last traded price of OY Stockmann AB's Series A shares at the end of the financial year was FIM 355, which is also the high for the year, and the last traded price of the Series B shares was FIM 340. The price of the Series A share rose by 26.79 per cent and the price of the Series B share by 23.64 per cent compared with the beginning of the financial year.

Share turnover

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

	No. of shares	% of total shares outstanding	FIM	Average price, FIM
Series A	910 516	10.98%	278 742 292	306.14
Series B	1 866 131	30.32%	540 939 253	289.87
Total	2 776 647	19.22%	819 681 545	

The total value of the shares traded was FIM 819.7 million, representing 0.44 per cent of the share turnover on the Helsinki Exchanges. The market capitalization of the company as at December 31, 1997, was FIM 5 036 million.

Changes in the share capital 1993-1998

1993
Issue targeted at Kesko. 87 000 Series A shares at FIM 172.48 per share and 104 000 Series B shares at FIM 144.36 per share. The issue increased the share capital by FIM 3 820 000. Following the share issue, the share capital was FIM 192 194 800.

1994
Issue of bonds with warrants. The company floated a FIM 1.5 million issue of bonds with warrants which is directed at management and will be repaid, in accordance with the terms of the issue, in one instalment on April 12, 1998. The annual interest payable on the issue is one percentage point below the 12-month helibor rate quoted by the Bank of Finland.

The A warrants of the issue were used to subscribe 15 000 Series B shares during 1996. The effect of these shares on the share capital was FIM 300 000 and they added FIM 2 900 100 to the Reserve fund.

During 1997 the B warrant of the issue was used to subscribe 15 000 Series B shares, whose effect on the share capital was FIM 300 000, adding FIM 3 100 050 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 shares from January 2 to April 12, 1998, at a price of FIM 240.00, and with warrant B, 75 000 shares from January 2 to April 12, 1998, at a price of FIM 240.00 as well as with warrant C, 90 000 shares from January 2 to April 12, 1998, at a price of FIM 240.00. The shares subscribed entitle their holders to a dividend for the entire year during which they were subscribed.

If all 240 000 Series B shares under the issue of bonds with warrants are subscribed, the effect of the issue on the share capital will be an increase of FIM 4 800 000, raising the entire share capital to 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.

Bonus issue. One new Series B share free of charge for two old Series A and/or Series B shares. The increase in the 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 company floated a FIM 360 000 issue of bonds with warrants directed at the Group's key employees. All these non-interest-bearing bonds were subscribed during 1997. The bond issue will be repaid, according to the terms of the issue, in one instalment on April 21, 2000.

The warrants attached to the bonds entitle their holders to subscribe a total of 360 000 Series B shares at a price of FIM 320 per share less the dividend distributed after May 1, 1997.

The subscription periods are as follows: 90 000 shares from April 1, 2000 to January 31, 2004, and 90 000 shares from April 1, 2001 to January 31, 2004, and 180 000 shares from April 1, 2002 to January 31, 2004. Shares subscribed entitle their holders to a dividend right from the year of subscription.

1998
The Board of Directors has decided to propose to the Annual General Meeting that the par value of the company's share be halved so that one share with a par value of FIM 20 is divided into two shares with a par value of FIM 10, after which the company will arrange a simultaneous bonus issue and rights issue as well as offer share options to private persons who are company's loyal customers.

Shareholders as at February 27, 1998

The figures are based on data in the book-entry system and accordingly there are 22 272 unregistered shares on which information is lacking.

OWNERSHIP STRUCTURE

	Shareholders		Shares
	No	%	%
Private persons	10 201	94.1	17.5
Joint stock and other companies	323	3.0	30.3
Foundations and other corporate bodies	257	2.4	45.8
Foreign companies and corporate bodies	63	0.5	6.2
Unregistered shares			0.2
Total	**10 844**	**100.0**	**100.0**

SHAREHOLDERS BY NUMBER OF SHARES OWNED

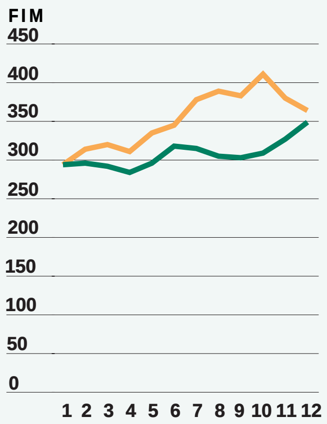
Number of shares	Shareholders		Shares
	No	%	%
1 - 100	5 443	50.2	1.8
101 - 1 000	4 815	44.4	9.2
1 001 - 10 000	504	4.7	9.2
10 001 - 100 000	59	0.5	12.7
100 001 -	23	0.2	67.1
Total	**10 844**	**100.0**	**100.0**

MAJOR SHAREHOLDERS ON FEBRUARY 27, 1998

	Votes %	Shares %
1. The Society for Promotion of the Arts	14.82	12.94
2. The Society of Swedish Literature in Finland	11.61	7.28
3. Etola companies	10.44	7.85
4. Niemistö Group	8.72	7.22
5. Stiftelsen för Åbo Akademi (foundation)	5.88	5.28
6. Sampo Insurance Company Ltd. + Industrial Insurance	3.87	3.78
7. Pension Varma Mutual Insurance Company	3.50	2.96
8. Wilhelm och Else Stockmanns Stiftelse (foundation)	2.46	1.75
9. Jenny ja Antti Wihurin Rahasto (fund)	2.42	2.48
10. Samfundet Folkhälsan i Svenska Finland (The public health association Folkhälsan)	1.82	1.71
11. Stiftelsen Bensows Barnhem Granhyddan (foundation)	1.75	1.51
12. Helene och Walter Grönqvists Stiftelse (foundation)	1.59	1.19
13. Stiftelsen Brita Maria Renlunds minne (foundation)	1.02	0.91
14. William Thurings Stiftelse (foundation)	0.87	0.62
15. Sigrid Jusélius Stiftelse (foundation)	0.85	0.75
16. Pension Insurance Company Ilmarinen Ltd.	0.62	3.84
17. Pensionfoundation Polaris	0.56	0.53
18. Kuistila Kaj	0.45	0.28
19. Kuistila Katja	0.45	0.28
20. SFV-Foundation	0.43	0.38
Total	**74.13**	**63.54**

The holdings in the personal ownership of the members of the company's Board of Directors and managing director as well as in the ownership of institutions under their control and persons under their guardianship as at December 31, 1997, was A total of 1 174 777 shares, which represents a total of 8.13 per cent of the shares outstanding and a total of 10.68 per cent of the voting rights. (December 31, 1996: 1 191 797 shares, representing 8.26 per cent of the shares and 10.67 per cent of the voting rights.)

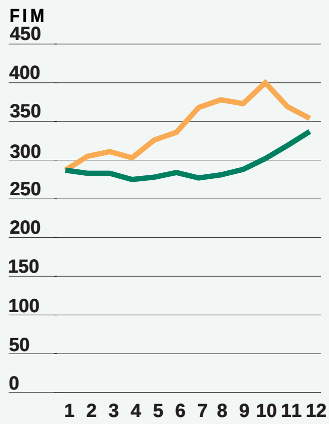
Series A share
price development 1997



General index

Stockmann A

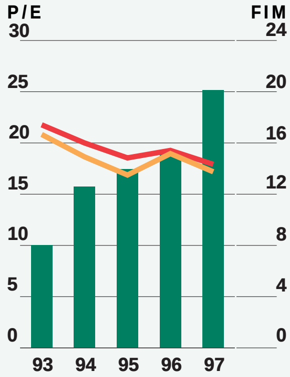
Series B share
price development 1997



General index

Stockmann B

Earnings per share and
P/E ratio 1993-1997
(adjusted for share issues)

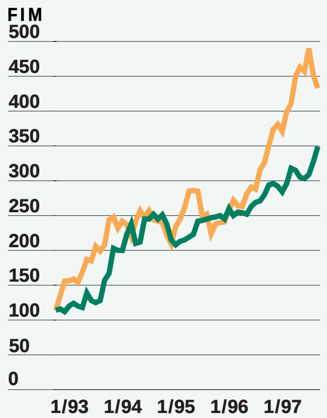


Earnings per share

Profit coefficient (A)

Profit coefficient (B)

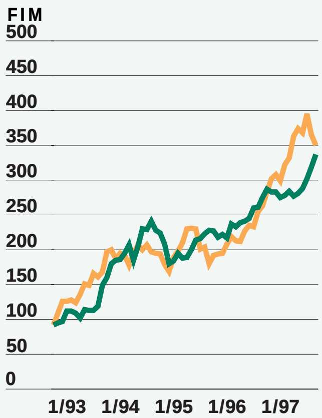
Series A share
price development 1993-1997
(adjusted for share issues)



General index

Stockmann A

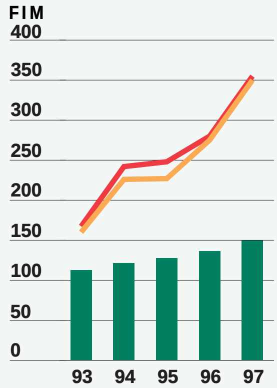
Series B share
price development 1993-1997
(adjusted for share issues)



General index

Stockmann B

Equity per share and
share price 1993-1997

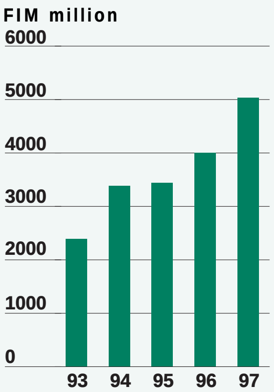


Equity per share

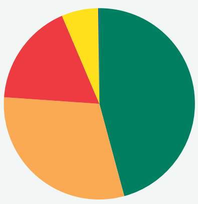
Share quotation at year end
adjusted for share issues (A)

Share quotation at year end
adjusted for share issues (B)

Market capitalization
1993-1997

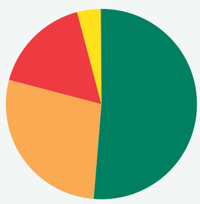


Distribution of shares



- 45.8% Foundations and other institutions
- 30.3% Joint stock and other companies
- 17.5% Private persons
- 6.2% Foreign companies and institutions
- 0.2% Unregistered shares

Distribution of votes



- 51.3% Foundations and other institutions
- 27.8% Joint stock and other companies
- 16.8% Private persons
- 4.0% Foreign companies and institutions
- 0.1% Unregistered shares

Key figures and per-share data

Key figures

FIM million	1993	1994	1995	1996	**1997**
Turnover	3 712.6	4 556.6	5 213.8	6 164.5	**6 900.0**
Operating profit	106.7	216.9	248.5	291.4	**394.6**
% of turnover	2.9	4.8	4.8	4.7	**5.7**
Profit before extraordinary items,					
voluntary provisions and income taxes	160.2	246.9	280.3	315.9	**415.2**
% of turnover	4.3	5.4	5.4	5.1	**6.0**
Profit before voluntary provisions and taxes	135.1	246.9	281.6	316.0	**415.2**
% of turnover	3.6	5.4	5.4	5.1	**6.0**
Return on equity	7.2	10.7	11.2	11.4	**14.4**
Return on investment	9.2	12.7	13.2	13.3	**15.6**
Equity ratio	61.3	60.4	58.1	54.0	**55.6**
Investments in fixed assets	185.2	132.9	273.7	333.2	**315.2**
% of turnover	5.0	2.9	5.2	5.4	**4.6**
Total assets	2 657.6	2 899.7	3 176.2	3 645.9	**3 889.5**
Personnel, average	4 912	5 248	6 015	6 589	**6 934**

Per-share data[1)]

	1993	1994	1995	1996	**1997**
Earnings per share, FIM	8.01	12.58	13.95	15.13	**20.11***
Equity per share, FIM	113.02	121.53	128.04	136.37	**149.62**
Dividend per share, FIM	4.00	6.00	7.00	7.50	**9.00****
Dividend per earnings, %	49.9	47.7	50.2	49.6	**44.8**
Effective yield of shares, %					
Series A	2.4	2.5	2.8	2.7	**2.5****
Series B	2.5	2.7	3.1	2.7	**2.6****
P/E ratio for shares					
Series A	20.9	19.2	17.8	18.5	**17.2***
Series B	20.0	17.9	16.2	18.2	**16.5***
Share quotation on December 31					
Series A, FIM	167.33	242.00	248.00	280.00	**355.00**
Series B, FIM	160.00	226.00	227.00	275.00	**340.00**
Highest price during the period					
Series A, FIM	258.00	323.00	262.00	280.00	**355.00**
Series B, FIM	160.00	206.67	240.00	275.00	**350.00**
Lowest price during the period					
Series A, FIM	163.00	200.00	195.00	229.00	**272.60**
Series B, FIM	86.67	116.67	172.00	214.00	**264.00**
Average price during the period					
Series A, FIM	191.50	258.99	230.84	261.45	**306.14**
Series B, FIM	115.65	163.88	207.97	242.31	**289.87**
Share turnover					
Series A	1 367 511	1 085 863	741 570	563 869	**910 516**
Series B	1 049 650	1 856 714	2 081 793	1 928 313	**1 866 131**
Share turnover					
Series A, %	16.5	13.1	8.9	6.8	**11.0**
Series B, %	79.5	31.2	34.0	31.4	**30.3**
Market capitalization on December 31, FIM million	2 397.5	3 390.3	3 446.2	4 009.6	**5 035.5**
Number of shares on Dec.31	14 414 610	14 414 610	14 414 610	14 429 610	**14 444 610**
Series A	8 289 631	8 289 631	8 289 631	8 289 631	**8 289 631**
Series B	6 124 979	6 124 979	6 124 979	6 139 979	**6 154 979**
Average number of shares	14 315 460	14 414 610	14 414 610	14 417 117	**14 432 117**
Series A	8 253 791	8 289 631	8 289 631	8 289 631	**8 289 631**
Series B	6 061 669	6 124 979	6 124 979	6 127 486	**6 142 486**

1) Adjusted for share issues

*) The dilution effect of bonds with warrants has been taken into account in the 1997 figures

**) Board proposal to the Annual General Meeting

Formulas used in calculating key indicators

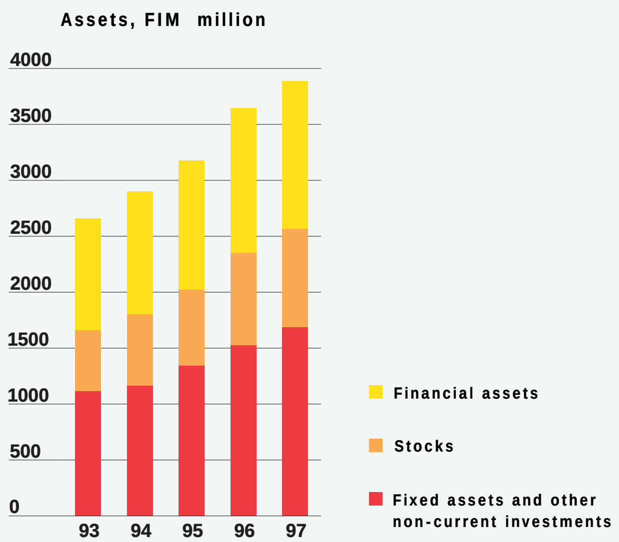
Definition of key indicators

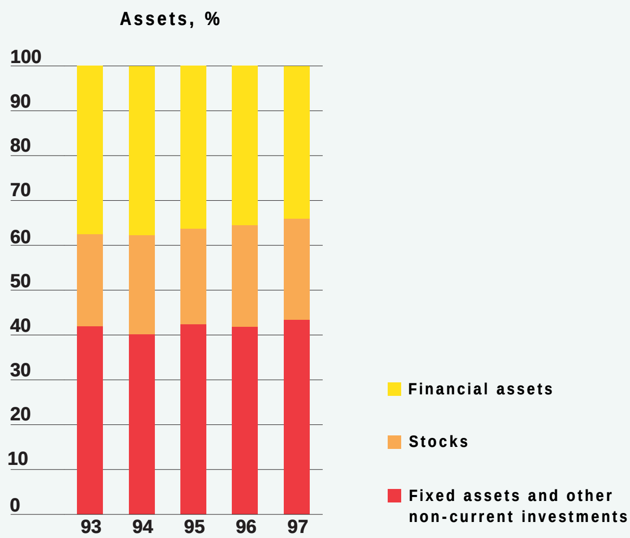
Operating profit	=	Profit from operations before depreciation - depreciation on fixed assets and other capital expenditure
Profit before extraordinary items, voluntary provisions and income taxes	=	Operating profit + financial income and expenses
Profit before voluntary provisions and income taxes	=	Profit before extraordinary items, voluntary provisions and income taxes + extraordinary income and charges
Return on equity	=	$100 \times \dfrac{\text{Profit before extraordinary items - income taxes for the period}}{\text{Capital and reserves + minority interest + provisions less deferred tax liability (average over the year))}}$
Return on investment	=	$100 \times \dfrac{\text{Profit before extraordinary items + interest and other financial expenses}}{\text{Total assets - non-interest-bearing liabilities (average over the year)}}$
Equity ratio	=	$100 \times \dfrac{\text{Shareholders equity + minority interest + provisions less deferred tax liability}}{\text{Total assets - advance payments received}}$
Earnings per share, adjusted for share issues	=	$\dfrac{\text{Profit before extraordinary items - income taxes for the period}}{\text{Average number of shares, adjusted for share issues}}$
Equity per share	=	$\dfrac{\text{Capital and reserves + provisions less deferred tax liability}}{\text{Number of shares at the balance sheet date, adjusted for share issues}}$
Dividend per share, adjusted for share issues	=	Dividend per share, adjusted for share issues
Dividend per earnings, %	=	$100 \times \dfrac{\text{Dividend per share}}{\text{Earnings per share}}$
Effective yield of shares, %	=	$100 \times \dfrac{\text{Dividend per share, adjusted for share issues}}{\text{Share quotation at December 31, adjusted for share issues}}$
P/E ratio for shares	=	$\dfrac{\text{Share quotation at December 31, adjusted for share issues}}{\text{Earnings per share}}$
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 during the period
Market capitalization at December 31	=	Number of shares multiplied by the quotation for the respective share type on the balance sheet date

Stockmann's profit and loss account (consolidated)

	Jan.1 - Dec.31, 1997		Jan.1 - Dec.31, 1996		Change
		FIM million		FIM million	%
Turnover [1)]		**6 900.0**		6 164.5	11.9
Other operating income [2)]		**31.5**		15.0	
Costs :					
Raw materials and consumables: [3)]					
Purchases during the financial period	**4 870.6**		4 412.2		
Increase in inventories	**- 54.6**		- 148.9		
Staff costs [4)]	**895.2**		850.2		
Rents	**203.8**		206.0		
Other costs [5)]	**501.2**	**6 416.2**	456.2	5 775.7	11.1
Profit from operations before depreciation		**515.2**		403.8	27.6
Depreciation on fixed assets and other capitalized expenditure [6)]		**120.6**		112.4	7.3
Operating profit		**394.6**		291.4	35.4
Financial income and expenses: [7)]					
Dividend income	**4.8**		4.3		
Interest income	**73.3**		66.8		
Other financial income	**1.2**		0.3		
Interest expenses	**- 55.2**		- 37.2		
Other financial expenses	**- 3.5**	**20.6**	- 9.6	24.5	- 16.1
Profit before extraordinary items, voluntary provisions and income taxes		**415.2**		315.9	31.4
Extraordinary income and charges: [8)]					
Extraordinary income	**-**		14.0		
Extraordinary charges	**-**	**-**	- 13.9	0.1	
Profit before voluntary provisions and income taxes		**415.2**		316.0	31.4
Increase in accelerated depreciation [6)]		**- 119.6**		- 60.6	
Decrease in voluntary provisions		**122.7**		60.1	
Income taxes:					
For the period	**- 120.0**		- 100.4		
For previous periods	**2.2**	**- 117.8**	2.6	- 97.9	20.4
Profit for the period		**300.5**		217.6	38.1

ASSETS	Dec. 31, 1997 FIM million		Dec. 31, 1996 FIM million	
Fixed assets and other non-current investments				
Intangible assets [9]				
Group goodwill	8.0		6.0	
Other capitalized expenditure	115.7		98.1	
	123.6		104.1	
Tangible assets [9]				
Land and water	133.6		107.5	
Buildings	841.4		763.6	
Machinery and equipment	300.6		292.8	
Other tangible assets	1.2		0.3	
Construction in progress	36.4		26.3	
	1 313.3		1 190.5	
Financial assets [10]				
Bonds and shares	251.2	1 688.1	232.5	1 527.1
Current assets				
Stocks				
Raw materials and consumables	879.9		825.7	
Receivables [12-15]				
Trade receivables	825.8		773.5	
Loan receivables	12.1		22.3	
Prepaid expenses and accrued income	61.7		80.9	
Other receivables	41.0		27.4	
	940.7		904.1	
Investments [16]				
Bonds and other promissory notes	328.2		312.8	
Cash in hand and at banks	52.6	2 201.4	76.2	2 118.8
		3 889.5		3 645.9

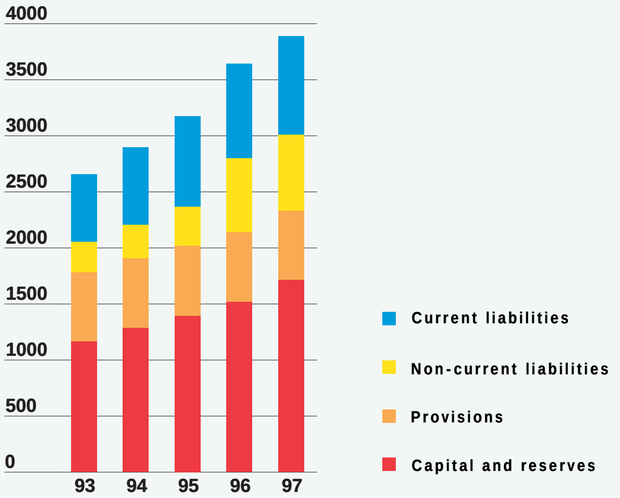




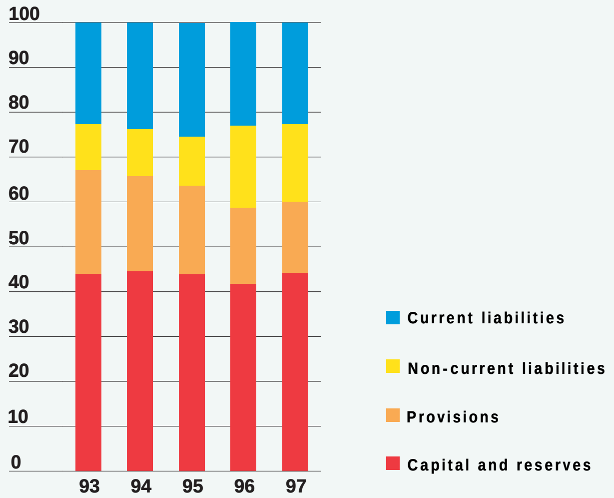
Stockmann's balance sheet (consolidated)

LIABILITIES	Dec. 31, 1997 FIM million		Dec. 31, 1996 FIM million	
Capital and reserves [17,18]				
Restricted equity				
Series A shares	165.8		165.8	
Series B shares	123.1		122.8	
Total share capital	288.9		288.6	
Reserve fund	374.6		371.5	
Revaluation fund	140.0		140.0	
Distributable equity				
Contingency fund	260.0		260.0	
Translation difference	0.0		0.0	
Retained earnings	353.8		244.8	
Profit for the period	300.5	1 717.8	217.6	1 522.4
Minority interest		1.0		1.0
Provisions [19]				
Accelerated depreciation	615.7		496.0	
Voluntary provisions				
Transitional provisions	-		122.7	
	-	615.7	122.7	618.7
Creditors [13,20-25]				
Non-current				
Notes	300.0		300.0	
Loans from credit institutions	80.6		32.4	
Pension loans	295.5		328.0	
Other non-current liabilities	0.3		1.5	
	676.4		661.9	
Current				
Loans from credit institutions	0.7		0.8	
Pension loans	22.8		25.2	
Trade payables	419.7		395.6	
Accrued liabilities and prepaid income	298.9		279.6	
Other current liabilities	136.5		140.6	
	878.6	1 555.0	841.8	1 503.7
		3 889.5		3 645.9

Financing, FIM million



Financing, %



Stockmann's funds statement (consolidated)

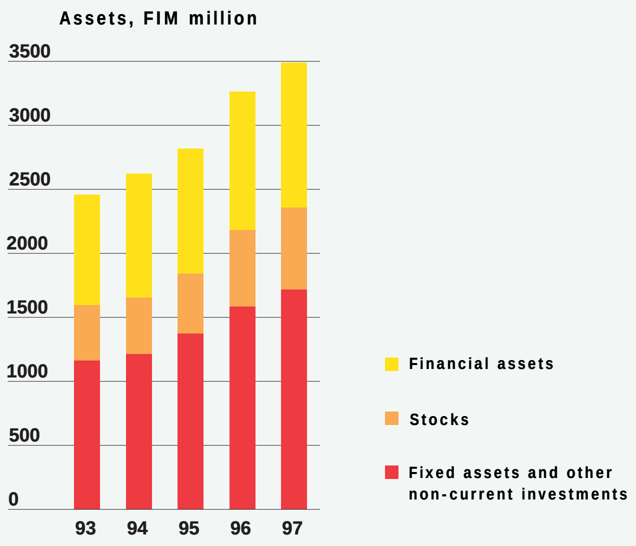
	1997 FIM million	1996 FIM million
Generated from operations		
Cash-flow financing		
Profit from operations before depreciation	**515.2**	403.8
Financial income and expenses	**20.6**	24.5
Extraordinary items	**-**	0.1
Income taxes	**- 117.8**	- 97.9
	418.0	330.5
Change in working capital		
Stocks		
increase (-)	**- 54.2**	- 148.9
Current trade receivables		
increase (-)	**- 36.6**	- 91.6
Non-interest-bearing current liabilities		
increase (+)	**17.1**	74.2
	- 73.7	- 166.3
Cash flow from operations	**344.3**	164.2
Investments		
Investments in fixed assets	**- 315.2**	- 333.2
Sales of fixed assets	**33.6**	40.0
	- 281.6	- 293.2
Cash flow before financing	**62.7**	- 129.0
Financing		
Non-current loans: increase (+)	**49.8**	337.8
Non-current loans: decrease (-)	**- 36.3**	- 24.4
Current loans: increase (+), decrease (-)	**20.8**	- 39.0
Distribution of profit	**- 108.6**	- 101.2
Share subscription	**3.4**	3.2
Other changes in capital and reserves	**0.0**	0.1
Other financial items	**-**	0.9
	- 70.9	177.4
Liquid funds decrease (-), increase (+)	**- 8.2**	48.4
Liquid funds as at January 1	**388.9**	340.6
Change	**- 8.2**	48.4
Liquid funds as at December 31	**380.8**	388.9

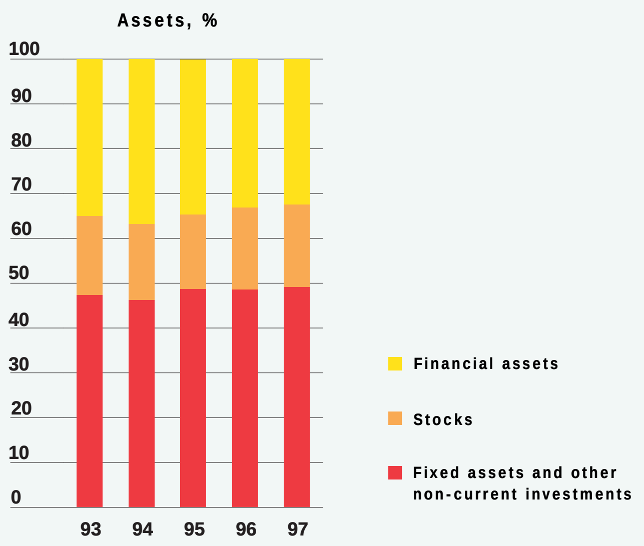
OY Stockmann AB profit and loss account (parent company)

	Jan.1 - Dec.31, 1997	Jan.1 - Dec.31, 1997 FIM million	Jan.1 - Dec.31, 1996	Jan.1 - Dec.31, 1996 FIM million	Change %
Turnover [1]		**5 116.1**		4 622.6	10.7
Other operating income [2]		**31.5**		15.0	
Costs :					
Raw materials and consumables: [3]					
Purchases during the financial period	**3 722.9**		3 431.3		
Increase in inventories	**- 45.6**		- 126.4		
Staff costs [4]	**718.2**		682.7		
Rents	**138.2**		140.6		
Other costs [5]	**282.2**	**4 815.8**	260.2	4 388.5	9.7
Profit from operations before depreciation		**331.7**		249.1	33.2
Depreciation on fixed assets and other capitalized expenditure [6]		**97.3**		93.5	4.0
Operating profit		**234.4**		155.5	50.7
Financial income and expenses: [7]					
Dividend income	**4.8**		4.3		
Interest income	**76.7**		69.5		
Other financial income	**0.0**		5.6		
Interest expenses	**- 63.7**		- 42.1		
Other financial expenses	**- 2.9**	**14.9**	- 1.2	36.1	- 58.6
Profit before extraordinary items, voluntary provisions and income taxes		**249.3**		191.6	30.1
Extraordinary income and charges: [8]					
Extraordinary income	**-**		14.0		
Extraordinary charges	**-**	**-**	- 13.9	0.1	
Profit before voluntary provisions and income taxes		**249.3**		191.7	30.1
Increase in accelerated depreciation [6]		**- 100.9**		- 46.7	
Decrease in voluntary provisions		**109.7**		49.4	
Income taxes:					
For the period	**- 70.3**		- 55.8		
For previous periods	**2.7**	**- 67.6**	-	- 55.8	21.0
Profit for the period		**190.6**		138.4	37.7

OY Stockmann AB balance sheet (parent company)

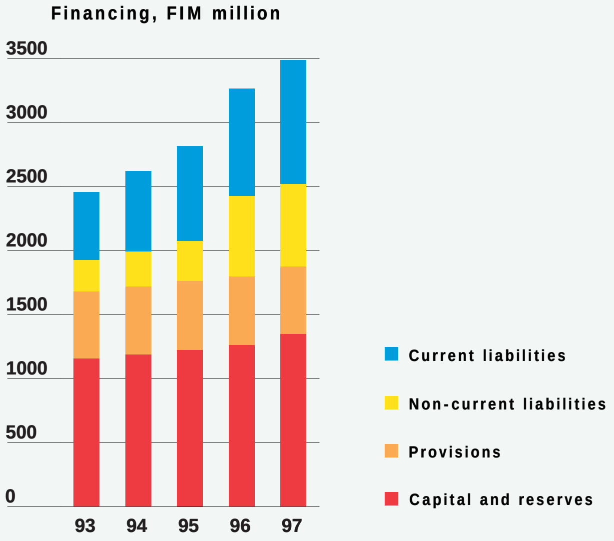
ASSETS	Dec. 31, 1997 FIM million		Dec. 31, 1996 FIM million	
Fixed assets and other non-current investments				
Intangible assets [9]				
Goodwill	4.2		5.4	
Other capitalized expenditure	96.0		85.3	
	100.2		90.8	
Tangible assets [9]				
Land and water	55.8		53.3	
Buildings	744.9		691.7	
Machinery and equipment	232.2		224.6	
Other tangible assets	0.3		0.3	
Construction in progress	36.4		26.3	
	1 069.6		996.2	
Financial assets [10,11]				
Bonds and shares	524.7		476.9	
Loan receivables	22.0		22.0	
	546.7	1 716.5	498.9	1 585.9
Current assets				
Stocks				
Raw materials and consumables	643.1		597.5	
Receivables [12-14]				
Trade receivables	500.2		488.0	
Loan receivables	202.8		167.1	
Prepaid expenses and accrued income	41.7		56.4	
Other receivables	32.4		28.3	
	777.1		739.8	
Investments [16]				
Bonds and other promissory notes	328.2		312.8	
Cash in hand and at banks	24.0	1 772.4	28.3	1 678.4
		3 488.9		3 264.3

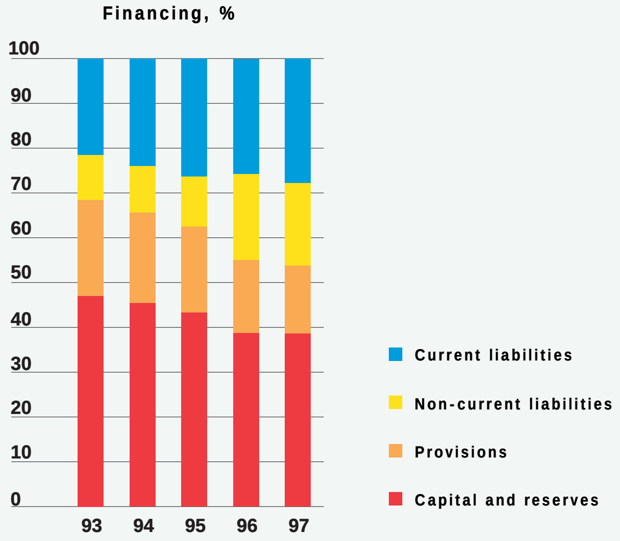




OY Stockmann AB balance sheet (parent company)

LIABILITIES	Dec. 31, 1997	FIM million	Dec. 31, 1996	FIM million
Capital and reserves [17,18]				
Restricted equity				
Series A shares	**165.8**		165.8	
Series B shares	**123.1**		122.8	
Total share capital	**288.9**		288.6	
Reserve fund	**366.4**		363.3	
Revaluation fund	**140.0**		140.0	
Distributable equity				
Contingency fund	**260.0**		260.0	
Retained earnings	**103.4**		73.6	
Profit for the period	**190.6**	**1 349.3**	138.4	1 263.9
Provisions [19]				
Accelerated depreciation	**527.0**		426.1	
Voluntary provisions				
Transitional provisions	**-**		109.7	
	-	**527.0**	109.7	535.8
Creditors [13,20-24]				
Non-current				
Notes	**300.0**		300.0	
Loans from credit institutions	**80.6**		32.4	
Pension loans	**263.8**		294.0	
Other non-current liabilities	**0.4**		1.5	
	644.8		627.9	
Current				
Loans from credit institutions	**0.7**		0.8	
Pension loans	**20.5**		22.6	
Trade payables	**318.4**		287.6	
Accrued liabilities and prepaid income	**207.8**		195.1	
Other current liabilities	**420.6**		330.5	
	967.9	**1 612.7**	836.6	1 464.5
		3 488.9		3 264.3





OY Stockmann AB funds statement (parent company)

	1997 FIM million	1996 FIM million
Generated from operations		
Cash-flow financing		
Profit from operations before depreciation	**331.7**	249.1
Financial income and expenses	**14.9**	36.1
Extraordinary items	**-**	0.1
Income taxes	**- 67.6**	- 55.8
	279.0	229.4
Change in working capital		
Stocks		
increase (-)	**- 45.6**	- 126.4
Current trade receivables		
increase (-)	**- 37.3**	- 43.8
Non-interest-bearing current liabilities		
increase (+)	**111.3**	132.9
	28.4	- 37.2
Cash flow from operations	**307.5**	192.1
Investments		
Investments in fixed assets	**- 261.5**	- 346.8
Sales of fixed assets	**33.6**	40.0
	- 227.9	- 306.8
Cash flow before financing	**79.5**	- 114.6
Financing		
Non-current loans: increase (+)	**49.8**	337.8
Non-current loans: decrease (-)	**- 33.7**	- 21.6
Current loans: increase (+), decrease (-)	**20.8**	- 39.0
Distribution of profit	**- 108.6**	- 101.2
Share subscription	**3.4**	3.2
	- 68.4	179.1
Liquid funds increase (+)	**11.1**	64.5
Liquid funds as at January 1	**341.1**	276.6
Change	**11.1**	64.5
Liquid funds as at December 31	**352.2**	341.1

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 per cent of the voting rights conferred by the shares as well as those property management companies in which the parent company controls, either directly or indirectly, 100 per cent of the voting rights conferred by the shares. Property management companies in which Group companies have more than a 20 per cent interest have not been treated as associated companies and the Group includes no other associated companies.

Internal transactions

Transactions between Group companies have been eliminated.

Shares in subsidiaries

Shareholding between Group companies has been eliminated by the purchase cost method. The difference between the purchase price of subsidiary shares and equity has been allocated in part to fixed assets. 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 per cent has been deemed to constitute equity. The remaining 28 per cent has been included under liabilities in the Consolidated Balance Sheet. In the financial statements for 1997 the provisions of subsidaries at the time of acquisition have been reduced and the deferred tax liability has been shown in the Consolidated Balance Sheet as a reduction in taxes.

Subsidiaries abroad

The financial statement figures of foreign subsidaries 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 direct cost of acquisition according to the FIFO principle.

Foreign currency-denominated receivables and liabilities

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

Fixed assets and depreciation

Fixed assets are valued according to the original cost less planned depreciation. The balance sheet values furthermore include revaluations of land areas and buildings. The following terms are applied to deprecation in the consolidated accounts:

- Planned depreciation, based on the original cost and the estimated economically useful life of each fixed asset as follows:
  - for goodwill and Group goodwill: 5 years,
  - for other capitalized expenditures: 5-10 years,
  - for buildings: 20-50 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.

Profit and loss account

1 Turnover
Of the turnover of the Department Store Division and Hobby Hall, Russia accounted for FIM 252.7 million in 1997 and FIM 234.4 million in 1996, and Estonia for FIM 275.1 million in 1997 and FIM 171.2 million in 1996. The international turnover totalled 7.6% of Stockmann's turnover in 1997 and 6.6% in 1996.

2 Other operating income
Other operating income includes a FIM 31.5 million gain on the sale of Kesko Oy and MTV Oy shares.

3 Gross margin

	Group 1997		Group 1996		**Parent company 1997**		Parent company 1996	
	FIM mill.	**%**	FIM mill.	%	**FIM mill.**	**%**	FIM mill.	%
Turnover	**6 900.0**	**100.0**	6 164.5	100.0	**5 116.1**	**100.0**	4 622.6	100.0
Raw materials and consumables	**4 816.0**	**69.8**	4 263.3	69.2	**3 677.3**	**71.9**	3 304.9	71.5
Gross margin	**2 084.0**	**30.2**	1 901.2	30.8	**1 438.8**	**28.1**	1 317.6	28.5
Other operating income	**31.5**	**0.5**	15.0	0.2	**31.5**	**0.6**	15.0	0.3

4 Staff costs

	Group		Parent company	
FIM million	**1997**	1996	**1997**	1996
Salaries and emoluments paid to the boards of directors and managing directors	**3.9**	3.7	**1.9**	1.8
Other wages and salaries	**672.3**	645.9	**538.2**	518.5
Statutory salary-related expenses				
Pension insurance	**107.4**	94.8	**86.1**	74.4
Other statutory salary-related expenses	**93.7**	89.1	**78.4**	75.5
Voluntary salary-related expenses	**17.9**	16.7	**13.6**	12.5
Total	**895.2**	850.2	**718.2**	682.7
Taxation value of fringe benefits	**7.9**	7.0	**7.1**	6.3

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	**1997**	1996	**1997**	1996
Marketing expenses	**172.9**	167.7	**76.3**	72.0
Warehouse, packaging and transportation	**22.6**	18.3	**17.1**	12.7
Freight charges on sales	**44.9**	40.4	**-**	-
Repairs	**25.6**	23.3	**19.3**	18.3
Electricity, heating and fuel	**26.5**	24.3	**21.4**	20.1
Travel and conferences	**18.5**	17.3	**14.4**	12.9
Real-estate maintenance	**41.9**	42.3	**33.7**	33.2
Post and telecommunications	**23.9**	21.5	**16.2**	14.2
Credit losses	**9.3**	9.6	**2.9**	3.4
Other expense items	**115.1**	91.6	**80.9**	73.5
Total	**501.2**	456.2	**282.2**	260.2

6 Planned depreciation

	Group		Parent company	
FIM million	**1997**	1996	**1997**	1996
Planned depreciation				
Goodwill			**1.3**	0.4
Other capitalized expenditure	**22.7**	19.8	**20.2**	18.3
Buildings	**20.8**	17.5	**17.6**	14.7
Machinery and equipment	**75.5**	74.1	**58.2**	60.1
	119.0	111.4	**97.3**	93.5
Group goodwill	**1.6**	1.0		
Total	**120.6**	112.4	**97.3**	93.5

FIM million	Group 1997	Group 1996	Parent company 1997	Parent company 1996
Change in accelerated depreciation				
Goodwill			-	0.4
Other capitalized expenditure	**30.2**	10.5	**25.5**	9.2
Buildings	**63.9**	39.4	**64.6**	40.0
Machinery and equipment	**25.5**	10.7	**10.8**	- 2.8
Total	**119.6**	60.6	**100.9**	46.7

FIM million	1997	1996
Planned depreciation, by Group companies		
OY Stockmann AB	**97.3**	93.5
Oy Hobby Hall Ab	**6.9**	6.3
Sewex Oy Seppälä	**9.4**	7.6
Oy Suomen Pääomarahoitus–Finlands Kapitalfinans Ab	**1.1**	1.1
Kiinteistö Oy Vantaan Rasti	**1.1**	1.1
Stockmann AS	**3.2**	2.5
ZAO Kalinka-Stockmann	**0.7**	0.1
Others	**1.0**	0.2
Total in Group profit and loss account	**120.6**	112.4

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

Goodwill and Group goodwill	5 years
Other capitalized expenditure	5-10 years
Buildings	20-50 years
Machinery and equipment	5-12 years

7 Financial income and expenses

Internal income and expenses of the Group

FIM million	Parent company 1997	Parent company 1996
Financial income from Group companies		
Interest income on long-term investment	**1.3**	1.4
Interest income on short-term investment	**4.6**	3.7
Financial expenses paid for Group companies		
Interest expenses	**11.2**	8.7

Interest income

Interest income includes FIM 49.9 million of interest income on interest-bearing trade receivables and leasing of fixed asset property in 1997 and FIM 45.0 million in 1996.

Other financial income and expenses

Other financial expenses include foreign exchange losses on treasury operations in 1997 of FIM 2.4 million and foreign exchange gains of FIM 2.8 million. The corresponding figures for 1996 were FIM 3.9 million and FIM 2.9 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 1997	Group 1996	Parent company 1997	Parent company 1996
Profit on sale of fixed assets	**-**	14.0	**-**	14.0
Write-down on shares held in fixed assets	**-**	- 13.9	**-**	- 13.9
Total	**-**	0.1	**-**	0.1

Balance sheet

9 Intangible and tangible assets

FIM million	Group 1997	Group 1996	Parent company 1997	Parent company 1996
Group goodwill				
Cost Jan.1	**7.0**	-		
Increases Jan.1-Dec.31	**3.6**	7.0		
Decreases Jan.1-Dec.31	**-**	-		
Cost Dec.31.	**10.6**	7.0		
Accelerated planned depreciation Dec.31	**2.7**	1.0		
Book value Dec.31	**7.9**	6.0		
Goodwill				
Cost Jan.1			**6.3**	-
Increases Jan.1-Dec.31			**-**	6.3
Decreases Jan.1-Dec.31			**-**	-
Cost Dec.31			**6.3**	6.3
Accelerated planned depreciation Dec.31			**2.1**	0.8
Book value Dec.31			**4.2**	5.4
Accelerated difference between total and planned depreciation Jan.1			**0.4**	-
Increase in accelerated depreciation Jan. 1-Dec. 31			**-**	0.4
Accelerated difference between total and planned depreciation Dec.31			**0.4**	0.4
Other capitalized expenditure				
Cost Jan.1	**157.1**	130.9	**137.1**	114.1
Increases Jan.1-Dec.31	**44.7**	33.7	**30.9**	28.7
Decreases Jan.1-Dec.31	**11.7**	7.5	**3.7**	5.7
Cost Dec.31	**190.1**	157.1	**164.4**	137.1
Accelerated planned depreciation Dec.31	**74.4**	59.0	**68.4**	51.8
Book value Dec.31	**115.7**	98.1	**96.0**	85.3
Accelerated difference between total and planned depreciation Jan.1	**21.6**	11.1	**14.6**	5.4
Increase in accelerated depreciation Jan. 1-Dec. 31	**30.2**	10.5	**25.5**	9.2
Accelerated difference between total and planned depreciation Dec.31	**51.8**	21.6	**40.1**	14.6
Land and water				
Cost Jan.1	**107.5**	102.5	**53.3**	48.6
Increases Jan.1-Dec.31	**26.2**	5.0	**2.6**	4.8
Decreases Jan.1-Dec.31.	**-**	0.1	**-**	0.0
Book value Dec.31	**133.6**	107.5	**55.8**	53.3
Buildings				
Cost Jan.1	**899.5**	857.7	**804.7**	774.0
Increases Jan.1-Dec.31	**97.8**	43.0	**69.9**	31.7
Decreases Jan.1-Dec.31.	**1.8**	1.2	**1.8**	1.1
Cost Dec.31	**995.4**	899.5	**872.7**	804.7
Accelerated planned depreciation Dec.31	**154.0**	135.9	**127.8**	112.9
Book value Dec.31	**841.4**	763.6	**744.9**	691.7
Accelerated difference between total and planned depreciation Jan.1	**367.1**	327.8	**332.9**	293.0
Increase in accelerated depreciation Jan. 1-Dec. 31	**63.9**	39.4	**64.6**	40.0
Accelerated difference between total and planned depreciation Dec.31	**431.0**	367.1	**397.5**	332.9
Machinery and equipment				
Cost Jan.1	**582.1**	514.4	**474.6**	442.5
Increases Jan.1-Dec.31	**112.2**	125.0	**87.8**	81.6
Decreases Jan.1-Dec.31	**74.2**	57.3	**67.5**	49.5
Cost Dec.31	**620.1**	582.1	**494.9**	474.6
Accelerated planned depreciation Dec.31	**319.5**	289.3	**262.7**	250.0
Book value Dec.31	**300.6**	292.8	**232.2**	224.6
Accelerated difference between total and planned depreciation Jan.1	**107.2**	96.5	**78.2**	81.0
Increase in accelerated depreciation Jan. 1-Dec. 31	**25.6**	10.7	**10.8**	- 2.8
Accelerated difference between total and planned depreciation Dec.31	**132.8**	107.2	**89.0**	78.2
Other tangible assets				
Cost Jan.1	**0.3**	0.3	**0.3**	0.3
Increases Jan.1-Dec.31	**0.9**	-	**-**	-
Cost Dec.31	**1.2**	0.3	**0.3**	0.3
Book value Dec.31	**1.2**	0.3	**0.3**	0.3
Construction in progress				
Cost Jan.1	**26.3**	-	**26.3**	-
Increases Jan.1-Dec.31	**36.4**	26.3	**36.4**	26.3
Decreases Jan.1-Dec.31	**26.3**	-	**26.3**	-
Cost Dec.31	**36.4**	26.3	**36.4**	26.3
Book value Dec.31	**36.4**	26.3	**36.4**	26.3

Revaluation included in balance sheet values

FIM million	Group 1997	Group 1996	Parent company 1997	Parent company 1996
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 1996	Group 1995	Parent company 1996	Parent company 1995
Taxation values				
Land and water	**381.5**	365.3	**358.1**	358.1
Shares in subsidiaries	**-**	-	**371.2**	287.0
Other shares	**139.2**	161.4	**130.6**	153.9
Buildings				
Taxation values	**159.1**	155.0	**108.8**	112.6
Fire insurance values	**1 576.0**	1 472.0	**1 403.5**	1 352.9

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								
ZAO Kalinka-Stockmann	1 000	100.0	100.0	RUR	65 620.00	55.72	3.22	19.07
ZAO Stockmann-Krasnoselskaja	100	100.0	100.0	RUR	55.00	0.05	- 0.01	- 0.02
Aspius Oy	100	100.0	100.0	FIM	0.02	4.35	0.00	1.80
Autotalo Helkama Oy	40 000	100.0	100.0	FIM	4.35	4.58	2.30	4.26
Espoon Autotalo Oy	51	51.0	51.0	FIM	0.01	1.13	- 0.07	0.12
Helkama Auto-Center Oy	4 000	100.0	100.0	FIM	4.00	4.73	1.67	3.84
Kiinteistö Oy Friisinkeskus	1 000	100.0	100.0	FIM	0.05	0.05	0.00	0.89
Kiinteistö Oy Friisinkeskus II	1 900	100.0	100.0	FIM	0.10	3.56	0.00	4.36
Kiinteistö Oy Helsingin Valurinkatu 1	100	100.0	100.0	FIM	0.10	0.10	0.00	0.10
Kiinteistö Oy Muuntajankatu 4	30	100.0	100.0	FIM	0.03	19.13	0.00	13.00
Kiinteistö Oy Vantaan Kiitoradantie 2	100	100.0	100.0	FIM	0.10	0.10	0.01	0.11
Kiinteistö Oy Vantaan Rasti	388	100.0	100.0	FIM	3.00	29.26	0.01	26.44
Kiinteistö Oy Vantaan Valimotie	500 000	100.0	100.0	FIM	5.00	5.00	0.02	4.85
Oy Hobby Hall Ab	120 000	100.0	100.0	FIM	60.00	111.79	50.18	253.24
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	0.52	13.26
Sewex Oy Seppälä	30 000	100.0	100.0	FIM	30.00	30.00	65.91	285.03
Stockmann AS	18 000	100.0	100.0	EEK	18.00	6.75	12.67	17.39
TF-Autokeskus Oy	153	51.0	51.0	FIM	0.03	1.13	- 0.04	1.87
Upper Limit Oy	100	100.0	100.0	FIM	0.15	9.65	0.11	3.29
Shares in subsidiaries, total						297.09	136.49	652.92

	Number	Holding %	Par value FIM mill.	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
HEX Ltd	24 400	0.6	0.24	0.16
Helsingin Puhelin Oyj	4 210	0.0	0.02	0.23
Helsinki Telephone Company	421	0.0	0.04	1.06
Helsinki Halli Oy	1	0.3	0.10	1.20
Oy Kamppiparkki Ab	50	6.1	1.00	9.25
Kesko Oy	617 000	0.5	6.17	24.44
Kiinteistö Oy Raitinkartano	1 029	0.2	0.51	32.90
Kirjavälitys Oy	32 963	14.0	0.82	1.12
Kupittaan Kolmio Oy	4 612	15.0	2.25	9.00
Merita Oy, Series A	500 000	0.1	5.00	7.83
OKR-Issuers Cooperative	6	1.3	0.42	0.42
Partek Oyj Abp	38 966	0.1	0.39	4.60
Pitäjänmäen Kiinteistöt Oy	10 360	19.5	62.16	64.48
Polar Corporation	3 627 100	3.1	36.27	22.31
Sampo Insurance Company Ltd.	51 316	0.1	0.26	1.05
TukoSpar Oy	840	14.0	8.40	32.86
Werner Söderström Oy, Series B	9 018	0.1	0.09	0.14
Others				0.84
Other bonds and shares, total				227.60
Total				524.69

Subsidiaries' holdings	Number	Proportion of votes %	Holding %		Par value million units	Book value FIM million	Net profit FIM mill.	Equity FIM mill.
Share in subsidiaries								
Bullworker Myynti Oy	3	100.0	100.0	FIM	0.02	0.02	0.0	0.1
Oy Concert Hall Society Ab	10	100.0	100.0	FIM	0.00	0.00	0.0	0.0
ZAO Kalinka-Stockmann STP	100	100.0	100.0	RUR	30.00	0.03	0.0	-3.7
Share in subsidiaries, total						0.05	0.0	-3.6
Other shares								
Arabian Kiinteistö Oy	5 174		51.3		0.10	15.00		
Arabian Pienteollisuustalo Oy	1 590		12.0		0.01	5.92		
Orion Corporation	4 508		0.0		0.05	0.20		
Helsinki Telephone Company	152		0.0		0.02	0.55		
Sampo Insurance Company Ltd.	810		0.0		0.00	0.13		
As. Oy Rukantykky	110		7.0		0.00	0.76		
Others						1.07		
Other shares, total						23.64		
Total						23.68		

The market value of the shares owned by the parent company and the subsidiaries exceeded their book value by FIM 46.0 million.

Changes in the Group structure

In April 1996, 51 per cent holdings were aquired in the car dealership TF-Autokeskus Oy and Espoon Autotalo Oy at a sale price of FIM 2.2 million. In May 1997, Stockmann bought Helkama Oy's Mitsubishi and Skoda dealerships, Helkama Auto-Center Oy and Autotalo Helkama Oy at a sale price of FIM 9.3 million.

11 Long-term investment in subsidiaries by parent company

	Parent company	
FIM million	**1997**	1996
Shares	**297.1**	264.8
Loan receivables	**22.0**	22.0
Total	**319.1**	286.8

12 Receivables

Receivables falling due in one year or more

	Group		Parent company	
FIM million	**1997**	1996	**1997**	1996
Loan receivables	**10.9**	10.7	**10.8**	10.7
Other receivables	**17.4**	21.2	**17.4**	21.1
Total	**28.3**	31.9	**28.2**	31.8

13 Receivables and debts from Group companies

	Parent company	
FIM million	**1997**	1996
Loan receivables	**191.2**	152.3
Other current liabilities	**269.3**	198.6

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 2.3 million (FIM 2.8 million in 1996). 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

	Group	
FIM million	**1997**	1996
Trade receivables	**525.0**	497.1
Loan receivables	**12.7**	12.6
Total	**537.7**	509.7

Trade receivables include FIM 308.3 million of one-time credits on mail order sales in 1997 and FIM 274.0 million in 1996. The interest income on these receivables is entered in turnover instead of in interest income because it is included in the sale price.

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

FIM million	Group 1997	Group 1996	Parent company 1997	Parent company 1996
Market value Dec. 31	**328.3**	313.1	**328.3**	313.1
Book value Dec. 31	**328.2**	312.8	**328.2**	312.8
Difference	**0.1**	0.3	**0.1**	0.3

17 Change in capital and reserves

FIM million	Group 1997	Group 1996	Parent company 1997	Parent company 1996
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	**122.8**	122.5	**122.8**	122.5
Subscriptions with warrants	**0.3**	0.3	**0.3**	0.3
Series B shares Dec. 31	**123.1**	122.8	**123.1**	122.8
Share capital, total	**288.9**	288.6	**288.9**	288.6
Reserve fund Jan. 1	**371.5**	360.4	**363.3**	360.4
Subscriptions with warrants	**3.1**	2.9	**3.1**	2.9
Formed in Russia	**-**	8.2	**-**	-
Reserve fund Dec. 31	**374.6**	371.5	**366.4**	363.3
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	**803.5**	800.1	**795.3**	791.9
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	**462.3**	346.0	**212.1**	174.8
Distribution of profit	**- 108.6**	- 101.2	**- 108.6**	- 101.2
Profit for the period	**300.5**	217.6	**190.6**	138.4
Translation difference	**0.0**	0.0	**-**	-
Other distributable equity Dec.31	**654.3**	462.3	**294.0**	212.1
Other distributable equity, total	**914.3**	722.3	**554.0**	472.1
Capital and reserves, total	**1 717.8**	1 522.4	**1 349.3**	1 263.9

18 Share capital, in parent company December 31,1997

Par value, FIM 20	Shares
Series A shares (ten votes each)	8 289 631
Series B shares (one vote each)	6 154 979
Total	14 444 610

19 Provisions

Voluntary provisions

Applying to a 28% tax rate, the deferred tax liability on voluntary provisions and accelerated depreciation in the Consolidated Balance Sheet was FIM 172.4 million as at December 31, 1997, and at a tax rate of 28% it was FIM 173.2 million as at December 31, 1996.

FIM million	Group 1997	Group 1996	Parent company 1997	Parent company 1996
Investment provisions Jan.1	**-**	2.7	**-**	-
Used in investments	**-**	- 2.7	**-**	-
Investment provisions Dec.31	**-**	-	**-**	-
Transitional provisions Jan.1	**122.7**	188.3	**109.7**	159.1
Used in investments or reduced	**122.7**	65.6	**109.7**	49.4
Transitional provisions Dec.31	**-**	122.7	**-**	109.7
Total	**-**	122.7	**-**	109.7

Compulsory provisions

In the 1997 financial statements, a compulsory provision has not been made even though an application for a summons was submitted to the Helsinki District Court in January 1998 according to which a claim for damages has been filed against Stockmann following the company's withdrawal towards the end of 1994 from negotiations which concerned a department store project that was planned for St Petersburg. The company's management considers the claim for damages to be groundless and estimates that the company will not incur an obligation to pay damages in the case.

20 Notes 1996

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 1994

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 1997, 15 000 Series B shares were subscribed with the B warrants attached to the bonds. These shares increased the share capital by FIM 0.3 million and the reserve fund by FIM 3.1 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 April 12, 1998, at the price of FIM 240.00 each, and with warrant B, 75 000 shares from January 2 to April 12, 1998, at the 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 Bonds with warrants 1997

In 1997, a FIM 0.4 million issue of bonds with warrants targeted at the key employees was floated, which according to the terms and conditions of the issue provides for a bullet payment on April 21, 2000. No interest will be paid on the loan. The subscription price of one share is FIM 320 less dividends paid after May 1, 1997. The subscription periods are as follows: 90 000 B shares from April 1, 2000, 90 000 B shares from April 1, 2001, and 180 000 B shares from April 1, 2002. The share subscription periods will end on January 31, 2004.

23 Loans with maturities longer than five years

	Group		Parent company	
FIM million	**1997**	1996	**1997**	1996
Pension loans	**218.0**	242.8	**194.3**	217.3
Other loans	**45.6**	15.6	**45.6**	15.6
Total	**263.6**	258.4	**239.9**	232.9

24 Other current liabilities

Other current liabilities included FIM 112.0 million of interest-bearing borrowed capital in 1997 and a corresponding amount of FIM 89.8 million in 1996.

25 Interest-bearing net liabilities

	Group	
FIM million	**1997**	1996
+ Non-current liabilities	**676.4**	661.9
+ Current liabilities	**135.5**	115.8
- Trade receivables, interest bearing	**525.0**	497.1
- Loan receivables	**12.8**	12.6
- Investments	**328.2**	312.8
- Cash in hand and at banks	**52.6**	76.2
Total	**- 106.7**	- 121.0

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

	Group		Parent company	
FIM million	**1997**	1996	**1997**	1996
For loans of the company				
Mortgages on land and buildings	**392.3**	381.9	**336.1**	316.6
Pledges	**21.1**	20.7	**20.8**	20.4
For liabilities of a Group company				
Mortgages on land and buildings			**16.2**	25.3
Guarantees			**23.4**	22.0
Other contingent liabilities				
Leasing commitments [1]	**5.4**	7.5	**4.3**	6.7
Other commitments	**135.4**	78.5	**125.4**	71.0
Total				
Mortgages on land and buildings	**392.3**	381.9	**352.3**	341.9
Pledges	**21.1**	20.7	**20.8**	20.4
Guarantees	**-**	-	**23.4**	22.0
Other commitments	**140.8**	86.0	**129.7**	77.7
Total	**554.2**	488.6	**526.2**	461.9

[1] After 1998, FIM 2.4 million (FIM 3.5 million) in leasing commitments will be due for payment.

27 Pension liability

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

28 Financial risk management and derivative instruments

The purpose of Stockmann's financial risk management is to minimize the negative impact of foreign exchange, interest rate, credit and liquidity risks on the Group's net profit, shareholder's equity and cash reserves. Financial risk management is handled on a centralized basis by the Treasury Department of Group Administration. The risk management policy has been determined by the Board of Directors of OY Stockmann AB. Financial risk reporting is submitted to the Board of Directors quarterly, and monthly to the top management of the Group.

Foreign exchange risk

Stockmann's foreign exchange risk consists of purchases made in foreign currencies, the most important purchasing currencies being USD, GBP, ITL and DEM, as well as sales denominated in USD, RUR and EEK. Foreign exchange risk management 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 cash flows for the coming 12 months. The Treasury Department uses forward agreements and options for hedging foreign exchange risk. The foreign exchange risk of the the Group's investments in international units are hedged separately from the foreign exchange cash flows.

Interest rate risk

Stockmann's interest rate risk is the effect of interest rate changes on the value of the investment portfolio and also the effect of the interest rate changes on future assets and liabilities, i.e. repricing. In hedging the interest rate risks cash inflows and outflows are matched according to the time period. The hedging intruments that are used are Bond futures, FRA's, options and swaps.

Counterparty risk

Counterparty 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 instruments

FIM million	Underlying amount at the end of the period	Remaining open at the end of the period
Interest rate derivatives		
Forward agreements	**1 177.3**	**220.0**
Interest rate swaps	**150.0**	**150.0**
Foreign exchange derivatives		
Forward agreements	**170.0**	**73.6**
Options		
Sold	**27.1**	**27.1**

If all the derivative instruments had been closed on December 31, 1997, the net result would have been FIM 0.3 million.

The principles observed in calculating market value

Bond futures and forward rate agreements

Forward rate agreements are valued at mark-to-market values on the balance sheet date.

Interest rate swaps

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

Foreign currency options and forward agreements

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

Proposal for the distribution of parent company profit

According to the Consolidated Balance Sheet, the distributable equity totalled FIM 914.3 million on December 31, 1997.

The parent company distributable equity totalled FIM 554.0 million on December 31, 1997.

According to the Parent Company Balance Sheet as at December 31, 1997, the following amounts are at the disposal of the Annual General Meeting:

- retained earnings from previous years	103 443 985.88
- profit for the period	190 596 380.73
	294 040 366.61

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

- a dividend of FIM 9.00 per share be paid	130 001 490.00
- reserve for benevolent purposes	400 000.00
- be carried forward to the retained earnings account	163 638 876.61
	294 040 366.61

Helsinki, March 11, 1998

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 1997. 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, 13 March 1998

Eric Haglund, Authorized Public Accountant

Krister Hamberg, Authorized Public Accountant

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Mekaanikonkatu 17
00810 HELSINKI
Tel. +358 9 121 491
Fax +358 9 121 4949

HELSINKI, Tikkurila
Aamuruskontie 6
00750 HELSINKI
Tel. +358 9 121 496
Fax +358 9 121 4996

TURKU, Oriketo
Piiskakuja 10
20380 TURKU
Tel. +358 2 255 0255
Fax +358 2 255 0256

Volkswagen, Audi, Seat
Stockmann

HELSINKI, Herttoniemi
Mekaanikonkatu 10
00810 HELSINKI
Tel. +358 9 121 721
Fax +358 9 121 7300

HELSINKI, Kruununhaka (Service)
Mariankatu 22
00170 HELSINKI
Tel. +358 9 121 5660
Fax +358 9 121 5637

HELSINKI, Pitäjänmäki
Kutomotie 1 A
P.O.Box 157, 00381 HELSINKI
Tel. +358 9 121 51
Fax +358 9 121 5401

ESPOO, Suomenoja
Isonniitynkuja 2
02270 ESPOO
Tel. +358 9 804 601
Fax +358 9 8046 0222

VANTAA, Seutula
Kiitoradantie 2
01530 VANTAA
Tel. +358 9 825 991
Fax +358 9 821 280

Institutional Sales of Spare Parts

(all product lines)
Ormuspellontie 2
00700 HELSINKI
Tel. +358 9 121 6410
Fax. +358 9 121 6400

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

SESTO

Stockmannintie 1 H
P.O.Box 152, 00381 HELSINKI
Tel. +358 9 121 51
Fax +358 9 121 5671

Management

LASSE LEHTINEN, Director
PIRJO K. HYVÄRINEN, Director,
Food Products Purchasing
OLAVI LEHTINEN, Director,
Non-food Goods Sales
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

Tikkurilantie 146
P.O.Box 234, 01531 VANTAA
Tel. +358 9 825 981
Fax +358 9 870 1383

Management

MARJATTA BJÖRN, Director up to 1.6.1998
LARS EKLUNDH, Director as of 1.6.1998
AKIF BESHAR, Field Operations,
Administration
KIRSTI LEHMUSTO-ERÄNEN, Marketing
MERJA ILMAKUNNAS, Children's products,
Cosmetics
ANJA RISSANEN, Ladies' products
TIMO SINKKONEN, Men's products

Store localities
Espoo, Forssa, Hamina, Heinola, Helsinki, Hollola, Hyvinkää, Huittinen, Hämeenlinna, Iisalmi, Imatra, Joensuu, Jyväskylä, Jämsä, Järvenpää, Kaarina, Kajaani, Kangasala, Kankaanpää, Kauhajoki, Kemi, Kemijärvi, Kempele, Kerava, Kirkkonummi, Klaukkala, Kokkola, Kotka, Kouvola, Kuopio, Kuusamo, Kuusankoski, Lahti, Lappeenranta, Lapua, Laukaa, Lieksa, Lohja, Loimaa, Loviisa, Mikkeli, Muurame, Nastola, Nivala, Nokia, Orimattila, Oulu, Parainen, Pello, Pieksämäki, Pietarsaari, Pirkkala, 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.

STOCKMANN

Aleksanterinkatu 52 B
P.O. Box 220
FIN-00101 HELSINKI
FINLAND
Tel. +358 9 1211