ANNUAL REPORT 1999

STOCKMANN

ANNUAL REPORT FOR THE 138TH YEAR OF OPERATIONS

Contents

* The words Stockmann or company refer to the parent company Stockmann plc together with 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 now has nearly 13 000 shareholders. Customer satisfaction is the central objective of Stockmann's trading in all its areas of business. Stockmann's four commercial units are the Department Store Division, the Automotive Sales Division, Hobby Hall, which is specialized in mail order sales, and Seppälä, a chain of clothes stores. Stockmann operates in Finland, Russia and Estonia.

Stockmann's core values

Profit orientation

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

Customer orientation

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

Efficiency

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

Commitment

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

Respect for our people

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

Stockmann in 1999

Key figures

		1995	1996	1997	1998	**1999**
Sales	FIM millions	6 249.1	7 420.2	8 289.4	8 689.3	**9 417.5**
Sales	EUR millions	1 051.0	1 248.0	1 394.2	1 461.4	**1 583.9**
Net turnover	FIM millions	5 213.8	6 164.5	6 900.0	7 233.2	**7 845.9**
Net turnover	EUR millions	876.9	1 036.8	1 160.5	1 216.5	**1 319.6**
Staff expenses	FIM millions	747.7	833.6	877.3	958.6	**992.1**
Staff expenses	EUR millions	125.7	140.2	147.6	161.2	**166.9**
Share of net turnover	%	14.3	13.5	12.7	13.3	**12.6**
Profit before extraordinary items	FIM millions	280.3	315.9	415.2	364.0	**515.6**
Profit before extraordinary items	EUR millions	47.1	53.1	69.8	61.2	**86.7**
Investment in fixed assets	FIM millions	273.7	333.2	315.2	509.9	**381.0**
Investment in fixed assets	EUR millions	46.0	56.0	53.0	85.8	**64.1**
Share of net turnover	%	5.2	5.4	4.6	7.0	**4.9**
Total assets	FIM millions	3 176.2	3 645.9	3 889.5	4 470.9	**4 599.7**
Total assets	EUR millions	534.2	613.2	654.2	752.0	**773.6**
Share capital	FIM millions	288.3	288.6	288.9	513.8	**513.8**
Share capital	EUR millions	48.5	48.5	48.6	86.4	**86.4**
Market capitalization at December 31	FIM millions	3 446.2	4 009.6	5 035.5	5 767.7	**4 620.2**
Market capitalization at December 31	EUR millions	579.6	674.4	846.9	970.1	**777.1**
Dividend paid	FIM millions	100.9	108.2	130.0	256.9	**183.3***
Dividend paid	EUR millions	17.0	18.2	21.9	43.2	**30.8***
Dividend per share[1)]	FIM	2.16	2.32	2.78	5.00	**3.57***
Dividend per share[1)]	EUR	0.36	0.39	0.47	0.84	**0.60***
Earnings per share[1)]	FIM	4.31	4.67	6.37	5.79	**6.78****
Earnings per share[1)]	EUR	0.72	0.79	1.07	0.97	**1.14****
Equity ratio	%	58.1	54.0	55.6	65.1	**65.3**
Return on investment	%	13.2	13.3	15.6	12.3	**15.1**
Return on equity	%	11.2	11.4	14.4	11.1	**11.8**

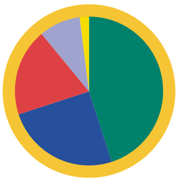
[1)] Adjusted for share issues

* Board proposal to the AGM. According to the proposal, a dividend of EUR 0.60 per share will be paid.

** The dilution effect of options has been taken into account

Distribution of sales and commercial profit

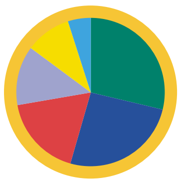
Distribution of commercial profit*



- 45% Department Store Division
- 25% Seppälä
- 19% Hobby Hall
- 9% Automotive Sales Division
- 2% Sesto

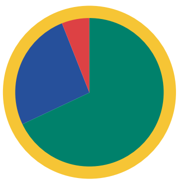
* operating profit

Sales by sector



- 29% Fashion
- 26% Motor vehicles
- 18% Food
- 13% Home
- 10% Leisure
- 5% Books, publications, stationery

Sources of income

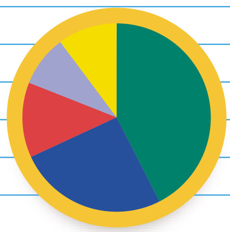


- 68% Commercial units
- 26% Real estate
- 6% Net financial profit

Introduction of the commercial units, April 1, 2000

Units and their management	Offerings	Locations
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 and Academic Bookstores in Finland A department store in Tallinn, Estonia A department store in Moscow, 2 other stores in Moscow and 2 in St Petersburg
AUTOMOTIVE SALES DIVISION **Aarno Pohtola**	Offers a very wide range of high quality car makes and models. Reliable quality and customer service are especially important advantages within servicing, repair and spare parts for customers' vehicles.	9 outlets in the Greater Helsinki area: Ford, Volkswagen, Audi, Mitsubishi and Skoda cars plus a wide selection of used cars 2 outlets in Turku: Ford, Mitsubishi and Skoda dealerships
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 3 stores in the Greater Helsinki area Estonia's largest mail-order company 2 stores in Tallinn
SEPPÄLÄ **Lars Eklundh**	Offers customers international fashion at a reasonable price. Centralized, chain-store operations guarantee very affordable prices and reliable quality.	More than 120 clothes stores 5 stores in Tallinn

Share of Stockmann's sales in 1999



Department Store Division	42%
Automotive Sales Division	26%
Hobby Hall	13%
Seppälä	9%
Sales by divested unit	10%

Important events in 1999

February
Stockmann founded its own book club. Membership is open to all Stockmann Loyal Customers who are resident in Finland. By the end of the year there were 17 000 members.

March
The enlargement of the Tampere department store was completed. A new third floor was added to the department store, giving it about 2 500 square metres of new retail sales area. During the year, works were started on refurbishing and expanding the Delicatessen Department and the Academic Bookstore. The department store and the bookstore will be joined together by means of new retail space that will be built under Tuomiokirkonkatu. The new facilities will be completed in the early autumn 2000.

The expansion of the seventh floor in Stockmann's Helsinki department store was completed. The seventh floor comprises about 2 200 square metres of space where a variety of daily convenience services will be offered – including a Beauty & Fitness world.

Seppälä strengthened its position as Finland's largest clothing store chain by opening its first new-look 2 200 square metre large store opposite the Stockmann department store in Helsinki. During the year, 5 large stores were opened.

The first free-standing 550 square metre store for Marks & Spencer was opened in Keskuskatu opposite the Stockmann department store in Helsinki. The objective is to establish Marks & Spencer stores nearby all Stockmann department stores.

Academic Bookstore opened an Internet store for consumers. Academic Bookstore has had its own Internet order service for institutional customers since 1994.

April
Stockmann's Annual General Meeting approved a dividend payout of FIM 3.00 per share for the 1998 financial year. In addition, it was resolved to pay a "millennium" dividend of FIM 2.00 per share in November, which meant paying out a FIM 102.8 million supplementary dividend.

Stockmann registered a first in Finland by targeting a programme of share options at Loyal Customers in 1998. Because the benefit would not have been exercisable at the present share price level, the 1999 Annual General Meeting approved new and improved option rights. The new options will be granted free of charge to Loyal Customers whose registered purchases together with purchases made with other parallel cards that are charged to the same account during 1997 and 1998 were at least FIM 10 000 in aggregate amount.

May
Works on expanding the Tallinn department store got under way. A new 400-vehicle car park was placed in use in October 1999 and the extension was completed in March 2000. Originally constructed as a two-storey building, the department store was enlarged by adding three floors, thus increasing the retail sales area from 5 500 square metres to 14 000 square metres.

A second Sesto Etujätti hypermarket was opened in the Tampere economic area.

June
A new Mitsubishi and Skoda sales outlet was opened in the Tikkurila district of Vantaa.

Seppälä established a chain of stores in Estonia. During 1999 three stores were opened in Estonia: in Pärnu, Viljandi and Tartu. Seppälä has had a store in Tallinn since 1996.

July
Hobby Hall's new logistics centre went into operation in the Viinikkala district of Vantaa. With 22 000 square metres of floor area, the logistics centre represents the latest expertise and information technology in the field. Thanks to the logistics centre, Hobby Hall's goods handling capacity will treble to 30 000 packages a day.

August
The ground floor of the Academic Bookstore in the centre of Helsinki was opened to the public in an expanded and completely renewed form. By utilizing the space in the former indoor car park, a super-modern Micronia Department with a total of 900 square metres of floor space was built.

October
Stockmann decided to open a new full-scale department store in Finland. The country's sixth Stockmann department store will be opened in Oulu in time for the Christmas season in 2001.

Seppälä announced that it was establishing a chain of stores in Sweden. The objective is initially to open in the Stockholm area 3 – 4 stores with about 600 square metres of retail space in the autumn 2000.

November
Stockmann sold its Sesto supermarket chain business to Wihuri Oy-owned Ruokamarkkinat Oy, and the Stockmann-owned buildings and other commercial premises occupied by Sesto were sold to Varma-Sampo Mutual Pension Insurance Company as part of the same deal. The divested unit comprised 13 supermarkets and 6 hypermarkets. Sesto's business operations and properties were transferred to the owners at the turn of the year.

December
Hobby Hall opened a new store and warehouse in Tallinn. Hobby Hall's second Tallinn store has about 400 square metres of retail space. Its product range includes consumer electronics and large home appliances.

The Department Store Division announced that the department store in the Itäkeskus shopping centre will be expanded in two stages during 2000 and 2001. The extensions will increase the retail sales area in the Itäkeskus department store to more than 12 000 square metres. A separate Marks & Spencer store with about 1 000 square metres of retail space will also be opened in the Itäkeskus shopping centre.

Stockmann signed an agreement on enlarging the Turku department store and adding another floor to it, and during the year the necessary permits for carrying out the project were obtained. The extension will be completed in November 2000. The extension will give the department store an additional 2 200 square metres of retail space. Expansion of the Delicatessen Department during 2001 is also in the planning stage.

Information for shareholders

Annual General Meeting

The 2000 Annual General Meeting of the shareholders of Stockmann plc will be held on Tuesday, April 11, 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 10, 2000, at 12.00 noon, telephone +358 9 121 3802, +358 9 121 3089, +358 9 121 3327 or +358 9 121 3133.

Those shareholders are entitled to participate in the Annual General Meeting, who have been entered, no later than on April 6, 2000, 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 EUR 0.60 or FIM 3.57 per share be paid for the 1999 financial year. The dividend decided by the Annual General Meeting will be paid to a shareholder who on the record date for dividend payment, April 14, 2000, has been entered in the Shareholder Register kept by Finnish Central Securities Depository Ltd. The Board proposes to the Annual General Meeting that the dividend be paid on April 26, 2000, 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 reports in 2000:

January-March Interim Report	May 17, 2000
January-June Interim Report	August 16, 2000
January-September Interim Report	November 22, 2000

In addition to these reports, we will release, during the third week of the following month at the latest, a monthly report on the sales of the units.

Financial reports and bulletins are published in Finnish, Swedish and English.

Report, bulletin and printed matter service: http://www.stockmann.fi/eng/index.asp?section=Sijoittajat
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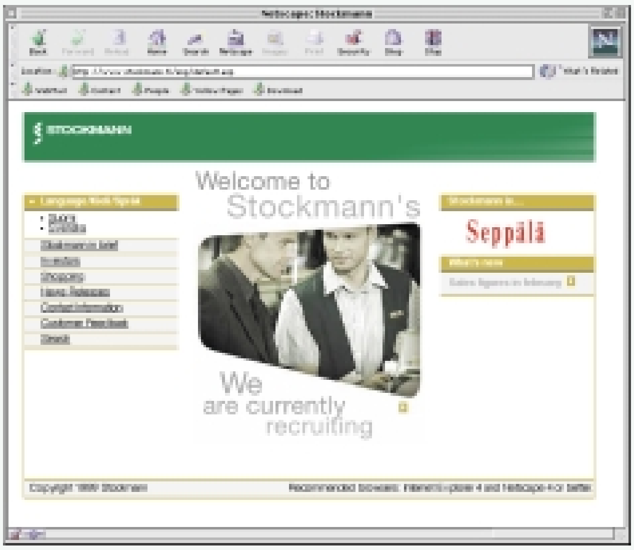
e-mail info@stockmann.fi



All of Stockmann's stock exchange bulletins will be available on the Internet on their date of publication. Address: http://www.stockmann.fi

My warm thanks to our customers, shareholders and partners in cooperation for the confidence they have shown in us. I wish to thank all our Stockmann staff for the good job they have done, and a special vote of thanks goes to Sesto's people, who are transferring to the employ of a new company, for many memorable years together.

Stockmann continues to focus resources on the future

A difficult year for the retail trade ended up turning out well for Stockmann. Following the divestment of Sesto, Stockmann is a profitably growing leader in each of its business areas.

Stockmann's sales grew to FIM 9.4 billion last year. The cash registers rang up 8 per cent, or FIM 728 million, more than they did a year ago in 1998.

It was a difficult year for us just as it was for our competitors: in markka terms, we sold several hundreds of millions less then we had expected. Towards the end of the year, however, we succeeded in getting back up to speed. Our full-year growth clearly outpaced the average growth in the retail field and was also better than the growth we achieved last year. The favourable sales trend appears set to continue in the current year as well.

Satisfactory sales and earnings

Our earnings look excellent: FIM 516 million is an all-time high. The whopping FIM 152 million increase on the previous year was nevertheless due to the disposal of Sesto's business operations and the real-estate properties which Sesto occupied. Last year these capital gains that were booked to other operating income amounted to FIM 193 million, as against FIM 41 million a year earlier. If they are stripped out from both years' earnings, ordinary operations generated a profit of FIM 323 million last year, coming in at precisely the same level as the previous year's comparable result, which was the second-best in our history.

In view of this, the sales we racked up and also our earnings rate were satisfactory when viewed in retrospect. The objectives we had set were nonetheless much more ambitious. But it just seems to be that in this business if you don't ring up sales as expected, earnings don't come in as expected either. I would nevertheless rather have seen that by last year the more than FIM 700 million of growth in sales had left something on the bottom line.

Market share comes at a price

Improving on a good level of earnings is particularly difficult when tough competition for market share in the industry is at the same time accelerated by two factors: the intensive establishment of new retail units and the fact that business is slower than the industry anticipates.

In last year's situation, even retaining market share exacted its price, and this translated into smaller gross margins and higher costs as a ratio of sales. And since Stockmann's business units were furthermore pursuing the goal of gaining market share, the costs of new outlets and expansion, which are always initially high, raised this price even higher.

Our units decided to pay this price and to continue realizing their own growth objectives. We thus strengthened the position of our units as the leading players in their fields. It was clear that losing market share to competitors would have ended up being even more expensive than building market share. To be sure, no company that seeks growth can afford to lose customers to its competitors.

No compromise on core values and business ideas

Certainly, we tried to adjust our costs to lower than expected sales revenues, and we succeeded quite well in doing this. That our sales fell short of our targets nevertheless did not seem to be due to any causes which would have given us reason to assume that a prolonged recession was in the offing. I am convinced that we were right in keeping a cool head and sticking uncompromisingly to our core values and business ideas without letting profit pressures influence things such as the level of our customer service.

I wish to note here my satisfaction at the fact that again last year we won new customers. For example, the number of our Loyal Customers grew on average by more than five thousand a month. As a consequence of determined inputs and effort, the number has risen from slightly over 100 000 customers in 1988 to many times that figure and is well on its way to 700 000. I believe that in recent years a factor that has contributed to this trend is a new innovation that we have introduced to our Loyal Customers: offering them options that give the right to subscribe for Stockmann shares. I am also sure that our customers will appreciate the pleasant surprise announced by the Board of Directors in proposing to extend the subscription period for shares all the way to May 2005, which represents a tangible additional benefit.

Seeking growth in new markets

Our objective is to raise our level of earnings. That is why it is essential to make continued outlays both on boosting efficiency and on achieving higher sales volumes.

We shall of course seek to make the best of all the growth possibilities that are available in Finland. They exist: take the new Stockmann department store that is to be opened in Oulu, for example. Finland's market area is nevertheless limited. That is why over the past decade we have sought growth opportunities in new markets.

Having operated for nearly ten years in Russia, in November 1998 we opened in Moscow the first Western-style department store. In Tallinn, Estonia, we started out with a small-scale department store back in 1993, and opened a new department store in 1996. The enlargement of the department store this spring from two storeys to five, including an adjacent parking building, made Stockmann Estonia's leading department store operator. Hobby Hall and Seppälä have expanded into Estonia, too. For various reasons, expanding into the other Baltic countries, especially Latvia's capital city, Riga, has not been able to move ahead as fast as we had hoped. Expansion in this direction is nevertheless an interesting possibility for the company.

A strategically important step westward was the decision to establish Seppälä pilot stores in Sweden. At least of equal importance was Hobby Hall's strategic decision of late to begin building an electronic commerce capability. In the current year Hobby Hall will continue to make major outlays on this new way of doing business. The aim of them is to generate additional sales both in Finland and in new markets.

Seeking out new markets means taking on risks. And risks sometimes have a way of materializing. The opening of our department store in Moscow coincided with a time when a risk of this type materialized in the form of Russia's deep economic crisis and the collapse in people's disposable income. Purposeful costcutting and a partial reorientation towards serving a new customer segment have nevertheless borne fruit, and we are continuing ahead firm in the belief that we will be able to restore the profitability of our operations in Russia.

Divesting Sesto was the best alternative

The last year of the millennium will go down in Stockmann's history as the year of a momentous policy decision: we decided to divest Sesto, which has been a business unit of ours since 1962. Sesto's future had been on my mind for some time because it seemed to me that as part of Stockmann, Sesto did not have what it takes to achieve the kind of unique leadership position which a company must have in order to be successful in the long term. Even striving to achieve such a position would have called for such a large investment that we would not have received a sufficient yield on the money spent on the endeavour. On the other hand, it was evident at the same time that the situation in Finland's supermarket trade was such that last year Sesto could be sold for a clearly better price than what it was worth to Stockmann.

Since selling off Sesto proved to be the best solution amongst the options available, I am satisfied that it was acquired by an old and good cooperation partner of ours, a private Finnish retail group with whose strategic objectives Sesto made a good fit.

Towards a successful future

Stockmann is well positioned as it moves into the new millennium. Our different units have viable, competitive business ideas. Last year we again strengthened our operative punch in different business areas and we will continue ahead with our investments in the future. Our operations and projects have the support of our shareholders. We have good customers who have confidence in us. Across the company's units there is a good working atmosphere and the will to succeed.

In these conditions it is easy for me to conclude my review by reaffirming yet again that this year too, we shall generate reasonably good earnings.

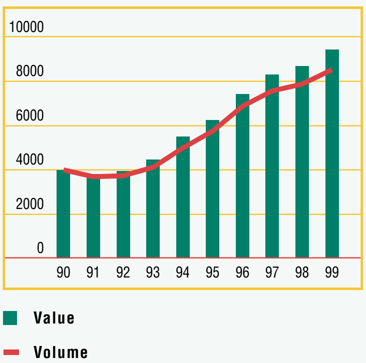
Helsinki, February 14, 2000

Ari Heiniö

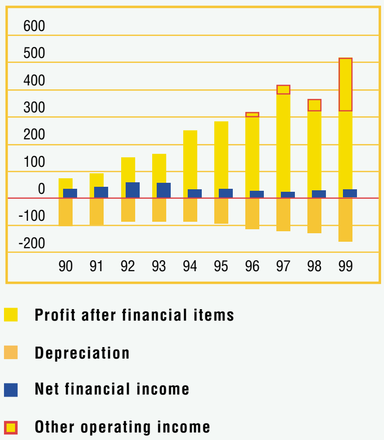
Trend in the value of Stockmann's sales 1998/1999	Change %
Stockmann, total	8.4
Department Store Division in Finland	5.0
Automotive Sales Division	17.2
Hobby Hall	2.0
Sesto	3.1
Seppälä	12.5

Trend in the value of retail sales in Finland 1998/1999	Change %
Retail sales net of trade in motor vehicles	3.9
Department stores	4.5
Motor vehicles, repairs and maintenance as well as retail fuel sales	7.6
Household appliances, furnishings	3.5
Supermarket	2.9
Textile and garment	4.4

Sales 1990-1999, FIM millions



Result 1990-1999, FIM millions



BOARD OF DIRECTORS AND AUDITORS

The members of Stockmann's Board of Directors and the personnel representatives on the Board. In the back row, from the left: Kurt Stenvall and Kari Niemistö. In the middle row, from the left: Tuija Wänttinen, Henri Wiklund and Christoffer Taxell. In the front row, from the left: Erkki Etola, Sari Virtanen, Ari Heiniö and Lasse Koivu.

Board of Directors

Chairman
Lasse Koivu (56), B.Sc.(Econ.), managing director, Föreningen Konstsamfundet. Member of the Board since 1991, due to resign in the spring 2000.

Vice Chairman
Erkki Etola (55), M.Sc.(Eng.), managing director, Oy Etola Ab. Member of the Board since 1981, due to resign in the spring 2002.

Ari Heiniö (54), varatuomari*, managing director, Stockmann plc. Member of the Board since 1989, due to resign in the spring 2001.

Kari Niemistö (37), M.Sc. (Econ.), managing director, Selective Investor Oy Ab. Member of the Board since 1998, due to resign in the spring 2001.

Kurt Stenvall (67), varatuomari*. Member of the Board since 1988, due to resign in the spring 2000.

Christoffer Taxell (52), ministeri*, president & CEO, Partek Group. Member of the Board since 1985, due to resign in the spring 2000.

Henry Wiklund (51), kamarineuvos*, managing director, Svenska litteratursällskapet i Finland rf. Member of the Board since 1993, due to resign in the spring 2002.

Personnel representatives on the Board, April 1, 1999 - March 31, 2000.

Sari Virtanen (32), salesperson, shop steward, Tampere department store. Personnel representative on the Board, elected by the Corporate Board.

Tuija Wänttinen (35), M.Sc.(Econ.), section manager, Helsinki department store. Personnel representative on the Board, elected by Stockmann's senior salaried employees.

Auditors

Eric Haglund (65), B.Sc.(Econ.), Authorized Public Accountant. Stockmann's deputy auditor since 1971 and regular auditor since 1977.

Krister Hamberg (56), B.Sc.(Econ.), Authorized Public Accountant. Stockmann's deputy auditor since 1988 and regular auditor since 1995.

Deputy auditor
KPMG Wideri Oy Ab.

* a Finnish title

Corporate management

Management Committee. From the top down and from left to right: Ari Heiniö, Hannu Penttilä, Stig-Erik Bergström, Pekka Vähähyyppä, Aarno Pohtola, Henri Bucht, Veikko Syvänen and Lars Eklundh.

Management Committee

Ari Heiniö (54), varatuomari*, managing director.

Hannu Penttilä (46), varatuomari*, deputy managing director with responsibility for the Department Store Division.

Stig-Erik Bergström (59), D.Sc.(Econ.), deputy managing director with responsibility for finance, treasury, information systems and real estate.

Pekka Vähähyyppä (39), M.Sc.(Econ.), chief financial officer.

Aarno Pohtola (43), LL.M., director, Automotive Sales Division.

Henri Bucht (48), M.Sc.(Econ.), director, Helsinki department store, responsible for the department stores in Finland and the Academic Bookstore.

Veikko Syvänen (53), business college graduate, managing director, Hobby Hall.

Lars Eklundh (45), B.Sc.(Econ.), managing director, Seppälä.

* a Finnish title

Department Store Division

A good year end turns earnings upward

The Department Store Division's sales inclusive of VAT grew by 6.7 per cent and were FIM 3 998.5 million. Net turnover was FIM 3 362.5 million, up 6.5 per cent on the previous year. Sales registered in the department stores in Finland and in the Academic Bookstores grew by 167.7 million, or 5.0 per cent. International Operations reported a sales increase of FIM 84.2 million, representing a gain of 20.7 per cent. The comparison figure does not include the Seppälä store in Tallinn, which was transferred from the department store business to the Seppälä chain. Now that the Smolenskaya department store in Moscow has operated for its first full year, sales in Russia grew by a hefty FIM 95.3 million, an increase of 43.7 per cent. In Estonia sales were down FIM 11.1 million, or 5.9 per cent, primarily due to the fact that construction works on the parking building hampered business.

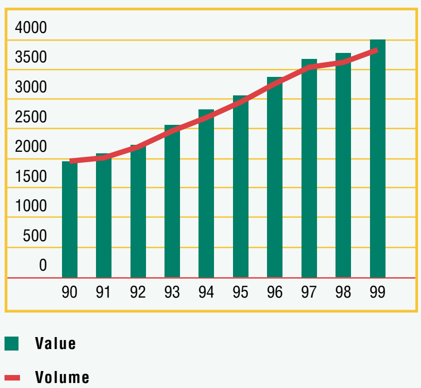
Despite much tougher competition, all the department stores in Finland increased their sales, though the growth was somewhat smaller than expected. The enlarged and refurbished department store in Tapiola continued to perform well following its opening in the autumn 1998, and the store boosted its sales by a quarter. The revamped sales areas in the Tampere department store, which was enlarged in March, also showed positive development. The new shopping centres that opened up in the Greater Helsinki area in the autumn caused somewhat of a slowdown in sales growth at the Itäkeskus shopping centre and Stockmann's department store that is located there. By contrast, the department store in the heart of Helsinki did an excellent job of maintaining its position, especially thanks to the strong sales it rang up in the latter part of the year.

Sales by International Operations units grew strongly in Russia, spurred by the Moscow department store, the new store on St Petersburg's Nevsky Prospect and also by a revival in demand during the spring in the wake of the economic crisis. For example, sales reported by the Moscow department store in December 1999 more than doubled compared with the previous year. The Zatsepsky Val supermarket, a separate unit, was closed in Moscow in the summer because customers migrated to the Delicatessen Department in the department store. The Dolgoruky fashion store adopted a new business idea, becoming an outlet for odd lots.

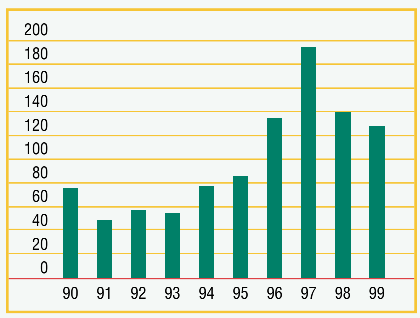
In Estonia, the enlargement works on the department store hindered its sales badly during the spring and summer. Following the completion of the parking building that was built adjacent to the department store in October 1999, sales got moving again. The expanded department store, which is Stockmann's second largest in terms of retail sales area, was opened to customers at the end of March 2000.

The Department Store Division's operating profit weakened substantially in the first months of the year as a consequence of the economic crisis in Russia, higher depreciation charges and premises costs resulting from the expansion investments as well as a somewhat slimmer relative gross margin. Healthy Christmas sales and stepped-up cost management throughout the year nevertheless brought an upswing in the earnings trend

Development of the Department Store Division's sales 1990-1999, FIM millions



Development of the Department Store Division's operating profit 1990-1999, FIM millions



Stockmann's department stores and the Academic Bookstores in the centre of Helsinki and in the Itäkeskus Shopping Centre in eastern Helsinki as well as in Tapiola, Tampere and Turku offer customers a knowledgeable shopping environment and good service in a congenial atmosphere. The department store chain will expand to Oulu in late 2001. The key to Stockmann's success is a unique and broad assortment of good products at competitive prices. International Operations include department stores in Tallinn and Moscow together with two speciality stores in Moscow and two in St Petersburg.

KEY FIGURES	1999	1998	change %
Sales, FIM mill.	**3 998.5**	3 746.5	7
Sales, EUR mill.	**672.5**	630.1	7
Proportion of Group Sales, %	**42.5**	39.8	
Operating profit, FIM mill.	**127.5**	138.1	-8
Operating profit, EUR mill.	**21.4**	23.2	-8
Return on investment, %	**13.0**	17.3	
Investments, FIM mill.	**109.5**	153.4	-29
Investments, EUR mill.	**18.4**	25.8	-29
Staff, December 31	**5 347**	5 432	-2

late in the year. Ultimately, operating profit came in only somewhat short of the 1998 profit figure.

Sales up 5 per cent in Finland

Sales inclusive of VAT reported by the department stores in Finland and the Academic Bookstores totalled FIM 3 507.7 million, up 5.0 per cent on the previous year. Sales by the concessions in the department stores amounted to FIM 254.1 million, an increase of 11 per cent on 1998. All the department stores increased their sales figures. The overall trend in sales exceeded the average for the retail trade but fell short of targets, particularly during the first part of the year.

Sales were the strongest in the following merchandise sectors: consumer electronics (+11%), sport (+11%), cosmetics (+9%), footwear (+7%), children's apparel (+7%), women's and men's wear (+5%) and foods (+5%).

Sales figures that were below the original target led to overstocking problems which cut into the gross margin during the first part of the year, compared with the previous year. Healthy Christmas sales and efficient cost management turned the sales trend upwards during the autumn. Despite gross margin problems, operating profit before depreciation of the departments stores in Finland was nearly at the previous year's level, but the operating profit figure weakened somewhat as measured against the 1998 figures because of higher depreciation caused by the expansion investments that have been carried out to ensure growth in coming years.

A department store to be opened in Oulu

In the Helsinki department store, major space reallocations were carried out in the men's and women's fashion departments and in the household goods area. In March commercial operations were expanded by about 400 square metres on the seventh floor of the department store by adding personal care services. At the end of March the first free-standing Marks & Spencer store was opened in Keskuskatu opposite the department store. The new store reached the sales targets that had been set for it.

The enlargement of the Tampere department store, including an additional new floor, was opened as planned in March 1999. During the year works were also started on renewing and expanding the Delicatessen Department and the Academic Bookstore. The department store and the bookstore will be connected together by an additional extension that will be built under Tuomiokirkonkatu, one of the high streets. The work will be completed in the early autumn 2000.

An agreement on expanding the department store located in Helsinki's Itäkeskus Shopping Centre was signed during the autumn. The additional space will be completed in stages by the autumn 2001, adding 1 600 square metres of retail sales space to the department store. In addition, a separate Marks & Spencer store with about 1 000 square metres of floor space will be opened in the new extension to the shopping centre.

An agreement on enlargement of the Turku department store, including building a new floor, was signed and during the year the necessary permits for carrying out the project were obtained. The enlargement is scheduled for completion in November 2000. The enlargement will add 2 200 square metres of retail sales space to the department store. Also under way is a separate project for expanding the department store's Delicatessen Department during 2001.

In the autumn an important decision was taken to expand Stockmann's department store operations in Finland to a new

***1.** The Tampere department store opened a completely new floor in March. An attractive world was built for consumer electronics and Micronia products, which gained lots of new floor space.*

***2.** The Academic Bookstore in the centre of Helsinki received new retail space below the street level. This expanded the space available to the dramatically transformed Stationery, Newspaper and Magazine and Micronia Departments.*

***3.** Deli is Stockmann's meal concept for busy urban shoppers: delicious fare to eat right away or to take out.*

***4-6.** The accent in fashion was on crisp, clear style and strong brands. Nokia too launched its trendiest mobile phones at Stockmann's fashion show for Loyal Customers.*

locality – Oulu. The relevant agreement was concluded in October with the property management company Aleksia Plc, which will have the department store built in the heart of Oulu along the Rotuaari pedestrian precinct in the Pekuri Block. The department store will have about 10 200 square metres of retail space. The Stockmann Oulu department store is scheduled for completion in time for the Christmas market in 2001. The objective is to achieve an annual sales volume of about FIM 300 million in Oulu's fast-growing market.

Academic Bookstore opens a web store

Academic Bookstore's sales developed favourably. In-store sales of books grew by 4 per cent.

In the spring Stockmann launched a book club for Loyal Customers and succeeded in signing up more than 17 000 members by the end of the year. The venture's start-up phase went according to plans. In future the club's membership will be increased substantially.

The spring also saw a new first for Academic Bookstore: a web bookstore which is targeted at consumers and operates on the Internet at the address www.akateeminen.com. The purpose of the e-commerce site is not only to expand sales and improve customer service but also to build up e-business know-how in view of future projects. Academic Bookstore has previously opened a web store for institutional customers.

The refurbishments and expansions of the stationery and Micronia sales areas in the Academic Bookstore under the street level in the centre of Helsinki were seen to completion in August. As part of this project a revamped newspaper and magazine department was also opened on the street level at the beginning of September.

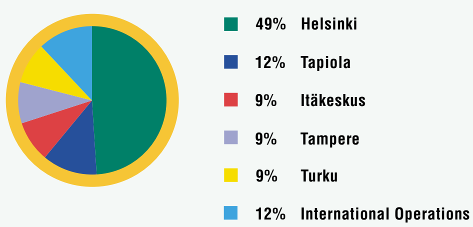
Russia swings to growth

Sales inclusive of VAT by International Operations totalled FIM 490.8 million, of which FIM 313.5 million was generated in Russia and FIM 177.3 million in Estonia.

As a consequence of the economic crisis that started in Russia in August 1998, the importation of consumer goods decreased by about a half, and the nascent middle class that sprang up in urban centres during the 1990s withered to paltry proportions. Because the volume of retail trade plummeted, stores had to wind down their excess stocks by way of massive discount sales in order to maintain their liquidity. This jolted the market severely, particularly in the first part of 1999. The exchange rate of the rouble stabilized at a level that was about a quarter of the pre-crisis rate and during the year the weakening in the rouble was fairly moderate, thanks mainly to higher oil prices. The rouble, for example, weakened by only 11 per cent against the euro. The devaluation of the rouble gave a strong shot in the arm to the competitiveness of local products, and this translated into growth in production, particularly in the food-processing industry.

In Estonia too, the economy was weaker and consumer behaviour tended to be cautious. The Estonian kroon nev-

Per cent distribution of the Department Store Division's sales in 1999 by unit



ertheless maintained its fixed exchange rate against the euro, even though the country's current account balance has been in deficit for years now. Inflation fell to below 3 per cent, which ranks as a significant achievement, taking into account the inflation history of late. The level of interest rates in Estonia remained comparatively stable during the year and the conditions for an economic recovery improved somewhat as the year wore on.

Stockmann undertook operations in Russia in 1999 in exceptionally difficult circumstances: the previous year's result was deep in the red; the main target group of the Moscow department store that was opened in November 1998 had lost its purchasing power; and stocks were at high levels in view of market conditions. In the first months of the year, sales were clearly below budget, and the gross margin was also meagre owing to slashed prices. Up to April, operations were heavily loss-making. The focus of operations was shifted to restructuring by cutting fixed costs and placing stock management on a sustainable basis. By the summer the repercussions of the crisis began to become apparent to consumers too as stores closed and existing retailers' assortments were scaled down.

When media prices collapsed, Stockmann undertook extensive TV and outdoor advertising campaigns in Russia in March. These had a high impact value in the absence of competitors' marketing messages. Our product assortment was altered so that it was better in line with the needs of a clientele that had retained their purchasing power. During the year the customer volumes at the Moscow department store developed favourably, and the high average purchase size that had been achieved right from the start held steady. In the light of the overall situation, it is reasonable to estimate that Stockmann achieved significantly increased market share and strengthened its image as the country's premier department store company. In the second half of the year, profitability in Russia improved substantially, but owing to the onerous early part of the year, the full-year operating profit before depreciation was still in the red.

In Estonia, enlargement of the department store and the construction of a parking building were started in April. The bidding for acting as general contractor for the construction works was decided in favour of the Estonian construction company Merko Ehitus A/S. It handed over the first part of the project, a 400-car parking building, on schedule in September. The construction work limited the number of parking places for customers, and this put a considerable drag on business during the summer months, especially in the supermarket goods area. Competition also hotted up as new retail units were established. Thanks to successful cost management, the department store's operational result nevertheless weakened only slightly despite the disturbances, and it remained at the previous year's good level.

The revival of the Estonian economy and the enlarged retail space that was opened in the department store at the end of March 2000 will pave the way for improved earnings.

Operating profit before depreciation for International Operations as a whole improved markedly on the previous year and was slightly in the black. The operating result also improved somewhat, though it was still clearly loss-making owing to higher depreciation charges.

New share options for Loyal Customers

The number of Loyal Customer cards in Finland exceeded the 600 000 figure. For three years now, the annual growth rate

has thus held steady at about 50 000 cards a year. More than 40 000 cardholders were registered as Loyal Customers of the Tallinn department store.

A gratifying development alongside the trend in cards issued has been the brisk activity that Loyal Customers have shown. The volume of purchases made with Stockmann cards clearly outpaced other sales.

***1.** At Helsinki's central meeting place right under Stockmann's clock, people gathered together to experience the countdown to the new millennium. All the Stockmann department stores had the same kind of digital display.*

***2.** Charm in the flesh and bottled. Oscar de la Renta visited Stockmann's for the launch of his newest fragrance – the luckiest got an autographed bottle.*

***3.** Stockmann strengthened its leading position in the Tallinn market by enlarging the department store there and building a 400-vehicle parking building. The new floors opened for business in March 2000.*

***4.** Stockmann's book club for Loyal Customers got off to a lively start. The magazine Takka ja nojatuoli (Fireplace and Armchair) came out five times during the year.*

***5.** The book as a source of entertainment and knowledge has stood up even to the flood of new media. A convenient way to find what you're looking for is to visit the address: www.akateeminen.com.*

A new and improved offer was announced concerning the share options targeted at Loyal Customers. The Board of Directors has made a proposal that will be submitted to the Annual General Meeting to be held on April 11, 2000, according to which customers who subscribe for share options in the spring 2000 can subscribe for Stockmann shares during specified periods all the way up to May 2005.

Another new development was the book club that was opened for Loyal Customers, for which a member magazine came out five times during the start-up year.

Under the Style 2000 heading, an international campaign in the autumn featured timely themes from self-pampering at the Wellness sales area to the new cross cooking ideas of the Delicatessen Departments. During the entire autumn season people got ready to celebrate the new millennium both by dressing up and by decking out their homes with new products.

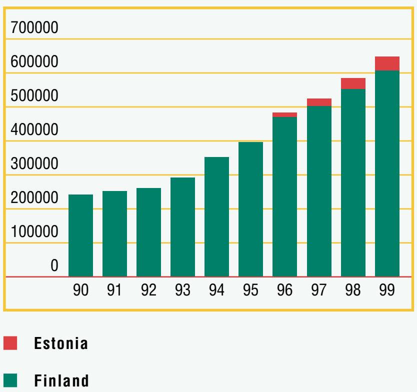
The Crazy Days in both the spring and autumn continued on their trail of setting new sales records time after time. The sales trend has been made possible by constant efforts to keep the concept under control and to develop new and innovative work procedures for handling the incredible volumes of merchandise.

Banking on the future

The year 2000 will see the further unfolding of a familiar theme in recent years: the Department Store Division's purposeful commitment to ensuring a strong operational base in the years ahead. The enlargement projects at the department stores in Tampere and Turku will be completed, parts of the expansion at the Itäkeskus shopping centre will go into use and design work on the department store in Oulu will get started in earnest. The new floors that were added to the Tallinn department store were placed in commercial use at the end of March.

Although the trend in the Russian economy still involves great risks, the conditions for improved profitability are significantly better than they were a year ago. Because the general trend in the Finnish economy also appears to be moving ahead on an even keel, the Department Store Division is pursuing the clear-cut objective of improving its operating profit compared with last year's figure.

Number of Loyal Customers 1990-1999

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A stronger market position

In 1999 the growth in the Finnish motor trade slowed down compared with the previous year. New car sales were up 8.4 per cent on the previous year, an increase of slightly more than 136 000 cars. The rate of growth in the market in the Greater Helsinki area was a bit larger than the country's average rate. Towards the end of the year sales nevertheless slowed markedly.

Sales of vans were on a par with last year – a bit over 14 000 vans.

Sales of European car makes showed the biggest gains, reaching a market share of more than 70 per cent. The five most popular makes of car accounted for more than half of the total market, and the 10 largest makes represented nearly 80 per cent of new car sales.

The battle for market shares remained tough and it showed up in developments such as the high values credited for trade-in vehicles. The trade-in vehicle market headed downward. Stocks of trade-in vehicles grew throughout Finland compared with the previous year and the stock turn rate weakened significantly. The trend was the same in the trade-in vehicle market in the Greater Helsinki area, where at the worst point, stocks of trade-in vehicles were more than 30 per cent higher than they were a year earlier.

Higher sales volumes

Sales inclusive of VAT by Stockmann's Automotive Sales Division grew by FIM 354.3 million to FIM 2 408.3 million. The division had net turnover of FIM 1 981.8 million, an increase of FIM 291 million, or 17 per cent on the previous year. The net turnover figure is comparable with that of the previous year. The Automotive Sales Division thus achieved growth that was more than double that of the market rate. Sales growth was spurred by the successful Loyal Customer campaigns for vehicles, which resulted in the sale of 1 029 new vehicles. In addition, the Crazy Days vehicle sales were a big success. During the Crazy Days in the spring and the autumn a total of 248 vehicles were sold.

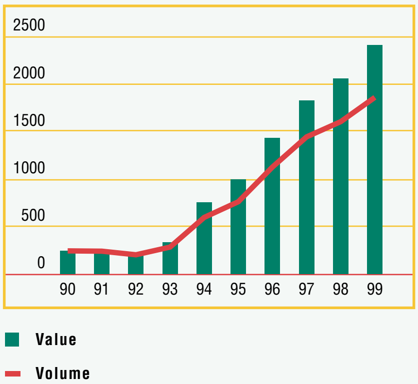
Operating profit was FIM 25.9 million and at the previous year's level.

The fact that operating profit remained at the 1998 level was due to both a reduction in the gross margin and to an increase in costs. The narrower margins were attributable in part to the competition situation and partially to the fact that the increase in the level of equipment in vehicles could not be passed along into prices. Because of the fierce competition in the field, marketing efforts were stepped up considerably in order to stimulate new car sales and to move enough trade-in vehicles in the changed market situation. Even judged in retrospect, these inputs proved to have been directed at the right areas. Our staff costs grew, among other things, due to the hiring of 18 new employees to handle vehicle sales. This was necessary in order to maintain a good level of customer service. Earnings were furthermore burdened by increased premises costs, mainly owing to the new Mitsubishi-Skoda sales outlet as well as to new facilities for the servicing and repair function. Since these new premises were in the start-up stage, they did not yet yield income to the full extent.

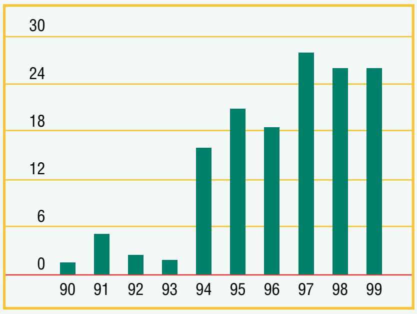
Market leader in the Greater Helsinki area

The Automotive Sales Division increased its market share in the Greater Helsinki area by one percentage point and was the clear market leader, with a market share of more than 23 per cent.

Development of the Automotive Sales Division's sales 1990-1999, FIM millions



Development of the Automotive Sales Division's operating profit 1990-1999, FIM millions



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, Mitsubishi and Skoda cars and an extensive selection of trade-in vehicles. Reliable quality and customer service are also important advantages within servicing, repair and spare parts for customers' vehicles.

KEY FIGURES	1999	1998	change %
Sales, FIM mill.	**2 408.3**	2 054.0	17
Sales, EUR mill.	**405.0**	345.5	17
Proportion of Group Sales, %	**25.6**	21.8	
Operating profit, FIM mill.	**25.9**	25.9	0
Operating profit, EUR mill.	**4.4**	4.4	0
Return on investment, %	**7.9**	10.1	
Investments, FIM mill.	**8.3**	15.0	-45
Investments, EUR mill.	**1.4**	2.5	-45
Staff, December 31	**721**	662	9

Automotive Sales Division

The Automotive Sales Division is organized into three product lines according to its principals. Within Stockmann's car sales, both Ford and Volkswagen boosted their nationwide market share by a hefty margin. Ford was the second most-sold car in Finland, with a 10.7 per cent market share, a gain of 26.6 per cent on the previous year. Volkswagen was the third most-sold make, with a 10.6 per cent market share, increasing its total share by 20.2 per cent compared with 1998. Skoda sales grew by 5.0 per cent, whereas Mitsubishi was down 11.7 per cent and Audi 30.3 per cent.

Stockmann sold a total of 20 932 vehicles, of which 11 753 were new vehicles. The Ford line sold 6 093 vehicles (up 27.3%), the VW-Audi line 4 599 vehicles (up 6.2%), and the Mitsubishi-Skoda line 1 061 vehicles (up 0.7%).

Sales of trade-in vehicles grew by 16.1 per cent, totalling 9 179 vehicles.

In the Turku area, Stockmann's Automotive Sales Division had a market share of 13.4 per cent.

Beefed-up servicing capacity

In recent years, Stockmann's Automotive Sales Division has increased its servicing capacity significantly. In 1994 the number of servicing and repair events was about 55 000, whereas in 1999 the corresponding figure was about 170 000. In 2000 the growth in capacity is estimated to top 200 000 service and repair events.

The entire servicing and repair capacity was in use. It did not, however, suffice to satisfy the vehicle servicing requirement, nor did it meet our customer service objectives. The situation nevertheless improved considerably during the financial year when the repair shop capacity was increased. In January a total of ten new servicing bays were completed at the VW outlet in Herttoniemi. Likewise, at the Martinkuja outlet in Espoo ten servicing bays were completed in the early part of the year. All in all, the Automotive Sales Division hired 59 new employees for its servicing operations.

In September, it was decided to lease the property located in Takkatie in Helsinki's Pitäjänmäki district for servicing and repair operations. During 2000 a 17-bay VW and Audi joint repair shop and an eight-bay body shop will be completed. Later on a painting shop will also be opened in the facility. The central warehouse for the division's spare parts sales to institutional customers will also move into the same facility. The premises have a total floor area of about 4 700 square meters.

Servicing capacity will furthermore be increased by extending the opening hours. At present, the Automotive Sales Division's outlets in Espoo and the Ford dealership in Vantaa are open in the evening.

Towards the end of the year all the repair shops introduced a new crash damage assessment software program. Its objective is to make things quicker for the customer. The program will enable personnel to transmit damage pictures and a cost estimate electronically directly to the insurance company. This will speed up the time for obtaining repair and invoicing approvals and thus shorten the repair time.

Internet

In June Stockmann's Automotive Sales Division opened renewed home pages at the address www.stockmannautot.fi. The division now has a well functioning marketplace on the net. The e-commerce site and its services will be developed in line with the requirements of the market. The aim is to link e-commerce sites that have been developed by our principals, including solutions that support dealing over the network, to the pages at our site. Stockmann Auto is also participating in a pilot project for Internet sales run by Ford.

1. Vehicles sold by Stockmann's Automotive Sales Division are easy to pick out in traffic thanks to the Stockmann emblem that is affixed next to the rear numberplate.

2. Wherever you go, whatever you do...Ford Ranger is a partner you can rely on and get along with anywhere.

3. In recent years, the Automotive Sales Division's sales teams have been reinforced by adding new salespeople. Nowadays, a lady car salesperson is also on hand to serve customers at nearly all our outlets.

4. The outlets in our network are all in "choice locations". The premises have been renewed over the past years in line with today's customer service challenges.

5. New Beetle turns heads on the street. It's lovable and brings nostalgic memories of youth back to many people. New Beetle is a prime example of bold styling that is right on target.

Smaller investments

In June, the Automotive Sales Division opened a Mitsubishi-Skoda dealership with about 3 000 square meters of floor space along Ring Road III in Vantaa.

During the autumn a new EDP-based sales support system was introduced within vehicle sales.

The Automotive Sales Division's total capital expenditures amounted to FIM 8.3 million (FIM 15.0 million in 1998). Of the investments, FIM 3.5 million went for EDP programs and equipment, FIM 2.6 million was spent on other machinery and equipment, and FIM 2.2 million went for other equipment. In addition, Stockmann invested FIM 17.8 million on real-estate properties for its vehicle sales operations. In 2000 the Automotive Sales Division's own capital expenditures will be in the same size bracket as in 1999.

Outlook for the future

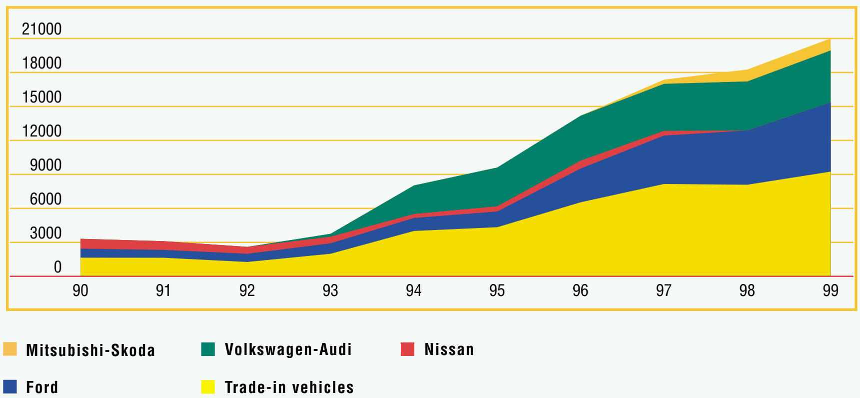
The sales forecast for the Finnish motor trade is 140 000 - 145 000 new cars in 2000. If this figure is realized, it will mean growth in the range of 3 - 6 per cent.

The Automotive Sales Division's objective is to continue to grow at a faster rate than the market. The sizeable outlays on the network of outlets, personnel and EDP systems which have been made in recent years have created a good basis for profitable growth. We are seeking to improve on the result we achieved in 1999.

At the Automotive Sales Division's Internet website, customers will find the division's car makes grouped by principals, together with pictures and data on models and prices as well as information on equipment options and up-to-date information on the current selection of trade-in vehicles. The pages will offer the possibility of reserving a test drive time or requesting a sales person to get in touch. It will also be possible to make an appointment for a service visit via the Internet.

Use of the pages has increased continuously. Last year about 500 contact requests came in monthly.

Development of the Automotive Sales Division's vehicle sales 1990-1999



Hobby Hall's sales grow despite stagnant mail order sales

1999 was a difficult year for mail order sales in Finland. The sales figures were at the previous year's level and the volume of mail order dispatches declined. Hobby Hall's sales and market share in Finland nevertheless grew substantially. Mail order sales declined in Estonia.

Hobby Hall's sales grew by 2.0 per cent to FIM 1 212.3 million. Net turnover was likewise up 2.0 per cent to FIM 998.8 million. The strong growth that has continued for years levelled off in 1999. In Finland sales were FIM 1 054.2 million (+ 3.2 per cent) and in Estonia they were FIM 158.1 million (-5.3 per cent). The volume of packages dispatched in Finland was 2.2 million (+ 4.0 per cent) and 320 000 packages in Estonia (- 6.3 per cent).

An unusual sales trend in 1999

The prolonged winter weather hurt sales of spring products. For example, bicycles did not sell as well as they did a year earlier, but diminished by 9 per cent, amounting to 35 000 bicycles. Sales of youth apparel were a disappointment in the first part of the year, and excess stocks had to be sold off at discount prices. First-quarter sales were down 2.8 per cent. In the second quarter, however, sales rose by 8.8 per cent and in the third quarter by 5.9 per cent. In the spring and summer sales through loyal customer catalogues went well. Fourth quarter sales declined by 2.2 per cent, which was attributable to the fact that the main autumn catalogue fell short of its sales targets. On the other hand, Christmas sales increased on the previous year.

Because the sales trend was weaker than expected and marketing and postal expenses increased too, operating profit declined by FIM 7.8 million and was FIM 55.0 million. The expenses of foreign exchange hedging of trade receivables in Estonia amounted to FIM 3.7 million.

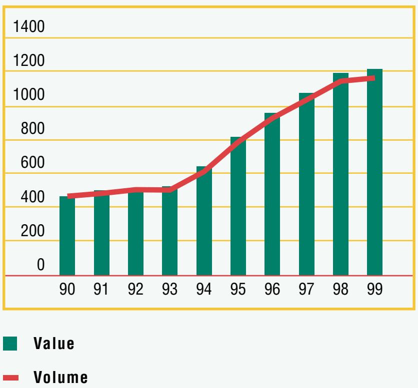
In view of the keener competition, Hobby Hall's sales trend in Finland can be considered good. Mail order sales are threatened by the accelerating population shift, especially to the affluent densely populated areas in the south. The building of hypermarkets means that more and more retailers are competing for the same customers. Hobby Hall is increasing its offerings in these growth centres, especially by means of the Internet.

Logistics centre trebles the dispatch capacity

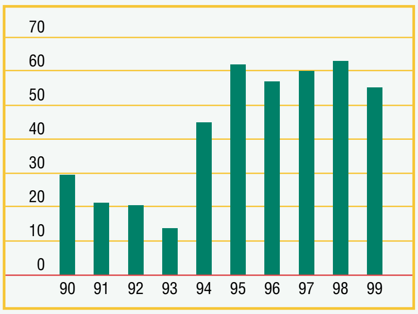
Hobby Hall's new logistics centre in Viinikkala was completed on schedule and began operations in the summer. The project was challenging because no off-the-shelf model was available. The new logistics centre represents the latest know-how and information technology in the field. Three full-scale football fields would fit into the 2.2 hectare building.

The design and construction work on the centre tied up resources. Placing the facility in use, including removals which are continuing into the current year, nevertheless did not hamper operations to any great extent. Hobby Hall already

Development of Hobby Hall's sales 1990-1999, FIM millions



Development of Hobby Hall's operating profit 1990-1999, FIM millions



Hobby Hall is Finland's largest mail order operator and is also the market leader in Estonia. Its offerings consist primarily of household and leisure articles. Hobby Hall's catalogues, which are distributed in Finland and Estonia, offer more than a million customers a fast and convenient way to buy quality products at affordable prices.

KEY FIGURES	1999	1998	change %
Sales, FIM mill.	**1 212.3**	1 189.1	2
Sales, EUR mill.	**203.9**	200.0	2
Proportion of Group Sales, %	**12.9**	12.6	
Operating profit, FIM mill.	**55.0**	62.8	-13
Operating profit, EUR mill.	**9.2**	10.6	-13
Return on investment, %	**12.2**	15.3	
Investments, FIM mill.	**32.1**	14.5	121
Investments, EUR mill.	**5.4**	2.4	121
Staff, December 31	**638**	617	3





managed to deliver part of the Christmas orders from the new facility. Before Christmas, the division dispatched 440 000 packages in a single month.

Thanks to the Viinikkala logistics centre, Hobby Hall's delivery capability will improve to a new level. The dispatch capacity will treble to 30 000 packages a day. Hobby Hall will now be able to assure efficient handling of order pile-ups in the high seasons. Growing volumes will mean lower unit costs and thus improve cost-effectiveness. For Hobby Hall's customers, this means faster and more precise deliveries.

Estonian operations becalmed

The Estonian economy headed downward in 1998 in the aftermath of the economic crisis in Russia. After several years of strong growth, Hobby Hall's objective for 1999 was to maintain the level of sales. Hobby Hall's sales fell by 5.3 per cent to FIM 158.1 million. Despite the drop in sales, Hobby Hall increased its market share substantially.

The returned merchandise warehouse moved into new renovated premises that were leased from the Estonian Post Office. The premises have a total of 2 100 square metres of floor space, of which the new store occupies 420 square metres.

The store is situated along Toompuiestee, and its main function is to handle the sale of returned and tried out products. The store also sells large-sized products, such as household appliances and bicycles. The store was opened at the beginning of December and the results so far are promising. Office functions and customer services are still at the address Maakri 25, which is also the location of a 270 square metre store. With the addition of these new functions, the number of personnel has risen to 60. There is potential for increasing sales further, and Hobby Hall will accordingly step up its marketing in Estonia in 2000.

Hobby Hall intends to start mail order sales operations in Latvia during the current year. In the first stage, test marketing targeted at a limited clientele will be carried out. The intention is to test thoroughly the proper functioning of both payment transfers and dispatches as well as other logistics before launching a full-scale campaign.

Developing the stores in Finland

The store in Espoo operated for a full calendar year and racked up FIM 35.1 million in sales. Customers transferred to the new store from the stores in both Vantaa and Helsinki, whose sales declined slightly.

The Vantaa store's sales were down 2.4 per cent to FIM 93.9 million. Sales by the Helsinki store declined by 1.8 per cent and were FIM 57.2 million. Sales of returned and tried out products diminished markedly at both stores because the Espoo store took over part of these sales. On the other hand, sales of new products listed in the catalogues increased. The sales trend in this respect was positive.

Plans do not call for opening new stores in Finland in the near future. The functionality of the present stores will, however, be developed further, through measures such as improvements to the cash register system. The Vantaa store will be enlarged by 500 square metres in 2000, after which the total floor space of the stores in Finland will be about 5 000 square metres.

***1.** Hobby Hall's own Servicing Department is an important link in the customer service chain. Apart from general servicing, repair and spare parts functions, the Servicing Department also provides technical advice.*

***2.** Hobby Hall's Advertising Department produces all its advertising materials itself. In addition to sharp product pictures, the catalogues give a wealth of information about products and special offers.*

***3.** Hobby Hall is known for its high quality bedlinen sets. Home textiles are the biggest product group.*

***4.** Mail order returns in Estonia are handled at the new returned merchandise warehouse along Toompuiestee, where there is also a servicing department.*

***5.** Hobby Hall offers practical solutions for all clothing needs. Garments account for 13 per cent of sales.*

***6.** The second store in Tallinn was opened in December.*

***7.** At the end of the packing line in the Viinikkala logistics centre, packages are sorted by postal district using bar code technology.*

Hobby Hall gets into e-commerce

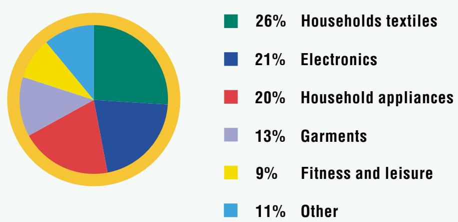
The expectations for the future of e-commerce are high. The experiences and results of companies that already operate in this area indicate that the keys to success in the e-business arena are well functioning logistics, payment systems and customer management. Now that the Viinikkala logistics centre has reached completion, Hobby Hall is ready to launch e-commerce.

The focus of the company's Internet strategy was sharpened during 1999, and project implementation was started in the spring 1999. Strengthening of the organization and negotiations with goods suppliers with a view to expanding Hobby Hall's product areas have gone ahead according to plans. Hobby Hall's objective is to build a smoothly running and easy-to-use web store which customers will rate as Finland's best. A central element in achieving success is to produce real added value for customers and thereby to make net shopping an interesting alternative, also for those consumers who are not mail order customers. This is especially true in the Greater Helsinki area and in localities where mail order sales account for only a minor share of the retail trade. Hobby Hall's electronic shopping initiative is not only a major opportunity but also a flexible channel for expanding business to new markets and into new product areas. The Internet will make it possible to obtain new customers for traditional catalogue-based sales too. Hobby Hall's product assortment and business idea will also come across in a new way for those customers who do not already know Hobby Hall. Electronic shopping will be started up in the first part of the year and it will be in full swing by the autumn 2000.

Outlook for the future

Although significant growth is not forecast for the mail order trade in 2000, over the long term the situation is different. Hobby Hall has a viable concept. Genuine customer service and further differentiation are the best way to compete successfully. For Hobby Hall, electronic shopping is an opportunity, not a threat. Hobby Hall is excellently placed to achieve success. In spite of the heavy outlays made on electronic shopping, in the current year Hobby Hall will strive to maintain the earnings level it reached in 1999.

Distribution of sales by merchandise sector in Finland in 1999



SEPPÄLÄ

Finland's largest clothing store chain

Seppälä's sales inclusive of VAT were FIM 827.4 million, an increase of 9.5 per cent on the previous year. Because the trend in the gross margin was good, operating profit increased compared with the previous year and was FIM 71.1 million. Thanks to the improved operating profit figure, the return on investment increased somewhat compared with the figure a year earlier and was 56.0 per cent.

Further expansion in Finland and Estonia

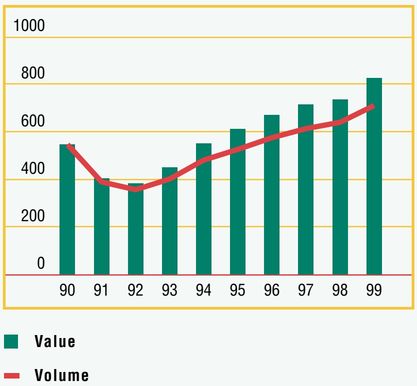
The growth in the garment trade in Finland was 3.8 per cent (source: the Association of Textile and Footwear Importers and Wholesalers, Finland), whereas in Estonia the market even contracted. Seppälä's net turnover was FIM 679.7 million. The increase of 9.2 per cent compared with the previous year was attributable primarily to the establishment of new retail units, which means that Seppälä boosted its market share clearly both in Finland and Estonia. Seppälä's same-store sales grew by 3 per cent.

The competition situation in Finland got tougher, particularly in populous localities, primarily owing to the inputs made by competitors from abroad. All Seppälä's product areas nevertheless managed to increase their sales, with children's clothing jumping by 16 per cent and women's wear by 13 per cent. Both sales and the gross margin showed a very good trend in both Finland and Estonia, especially in the fourth quarter. To ensure growth, Seppälä continued its expansion by opening both small stores and also stores of a larger size. The first large store, which has 2 200 square metres of retail space, was opened in Aleksanterinkatu in Helsinki in March. Stores with about 1 000 square metres of retail space were also opened in Tapiola and in the new Jumbo shopping centre in Vantaa. In addition, the stores in the centre of Kuopio and Jyväskylä were expanded in line with the new store concept. During 1999 eight new stores were opened in Finland in the following localities: Keuruu, Kouvola, Imatra (Mansikkala), Vantaa (the Isomyyri and Jumbo shopping centres), Jyväskylä, Kokkola and Haukipudas.

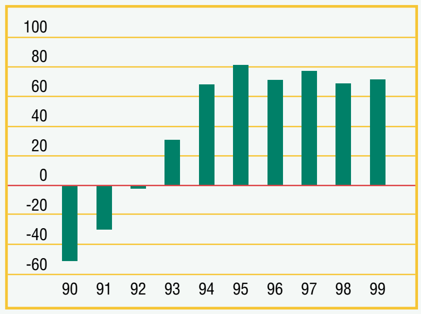
Three new stores were opened in Estonia: in Pärnu, Viljandi and Tartu. In Forssa, operations together with a franchising merchant were taken over by Seppälä in July. This means that all the Seppälä stores are under its own control.

At the end of the year there were Seppälä stores in 82 localities in Finland

Development of Seppälä's sales 1990-1999, FIM millions



Development of Seppälä's operating profit 1990-1999, FIM millions



Seppälä is Finland's largest clothing store chain that offers customers international fashion at a reasonable price. Seppälä sells women's, men's and children's clothes as well as cosmetics at over 120 stores in Finland and at five stores in Estonia. Centralized chain-store operations in product design, purchasing and sales guarantee affordable prices together with reliable product quality and customer service.

KEY FIGURES	1999	1998	change %
Sales, FIM mill.	**827.4**	755.4	10
Sales, EUR mill.	**139.2**	127.0	10
Proportion of Group Sales, %	**8.8**	8.0	
Operating profit, FIM mill.	**71.1**	69.7	2
Operating profit, EUR mill.	**12.0**	11.7	2
Return on investment, %	**56.0**	55.1	
Investments, FIM mill.	**17.1**	18.5	-8
Investments, EUR mill.	**2.9**	3.1	-8
Staff, December 31	**885**	745	19

and 4 localities in Estonia. All in all, there were 119 stores in Finland and 4 in Estonia.

High-profile changes in operations

Based on the mapping out of strategy that was begun in 1998, in the spring 1999 actions were undertaken to implement the new policy lines. The store that was opened in Aleksanterinkatu in March was fitted out with a new type of in-store furnishings. Subsequently, each new store in Finland was furnished in the new style.

In the spring, larger and more impressive colour photographs began to be used in in-store marketing. Within media marketing, television and newspaper advertising was supplemented by using outdoor advertising as a new medium.

The collections emphasized the development of Seppälä's own brands. In the spring a new brand of leisure clothing dubbed B.a.y was launched, and in the autumn the SPL sport brand for outdoor activities was unveiled. A markedly greater emphasis than in previous years was placed on training and recruiting staff. The Stockmann Loyal Customer card was marketed more actively than before, and this was also reflected in the 30 per cent increase in sales on the Stockmann card at Seppälä stores.

The spending on new large stores showed up in capital expenditures in 1999, as did outlays on new office space for Seppälä's purchasing departments at the head office in Vantaa.

Outlook for the future

The outlook for the garment trade in Finland and Estonia is relatively modest. Seppälä's view is nevertheless that the market shares of clothing chains that sell reasonably priced fashion will grow further. Seppälä's sales are set for increased growth thanks to recently established stores and the rising sales trend on a same-store basis.

Competition will get even tougher owing to new foreign competitors on the garment market in 2000, and also because present chains are continuing to expand. In the face of ever tighter competition, Seppälä is banking on its collection and assortment planning, marketing and the visual image of its stores.

In Finland Seppälä will open 6 to 9 new stores and 3 to 5 stores in Estonia. In the autumn 1999 a decision was made to expand Seppälä's operations to Sweden. The initial objective is to open 3 to 4 stores with about 600 square metres of retail space in the Stockholm area in the autumn 2000.

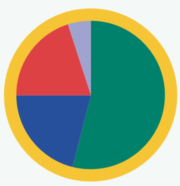
1. *Seppälä's School Starts campaign was carried out at all the stores in the chain, including the new stores that were opened in Estonia in Pärnu, Viljandi and Tartu during the summer.*

2. *From the beginning of March, the furnishings used in Seppälä stores are of a new type in which the accent is on a light and spacious interior plus attractive merchandise displays. The Forum Seppälä in Helsinki was refurbished in August.*

3. *Seppälä's flagship store in Aleksanterinkatu, Helsinki's high street, was opened in March. A lively fashion show added extra zest to the opening ceremony.*

4. *Outdoor advertising was introduced as a new medium in marketing alongside television and newspaper advertising. The content of the marketing was based on key themes. The example shown here focuses on the launch of the SPL sport brand for outdoors enthusiasts. The theme chosen was downhill skiing and snowboarding. The campaigns boosted customer flows.*

Distribution of sales in 1999 by merchandise sector



54% **Ladies' fashions**
21% **Men's fashions**
20% **Children's fashions**
5% **Cosmetics**

Stockmann's sales grew by 8.4 per cent, or FIM 728 million (EUR 122.5 million), to FIM 9 418 million (EUR 1 583.9 million). Profit before extraordinary items was FIM 516 million (EUR 86.7 million), an increase of FIM 152 million (EUR 25.5 million) on the previous year. The higher figure is attributable to other operating income, which totalled FIM 193 million (EUR 32.5 million), up FIM 152 million (EUR 25.6 million) on the previous year. Other operating income consisted of the goodwill compensation that was booked on the divestment of the Sesto business and of capital gains which Stockmann realized on the sale of Sesto's business premises.

Retail sales in Finland

The volume and value of retail sales in Finland net of the motor trade grew by about 4 per cent. Department store sales grew by slightly more than 4 per cent in value and sales of supermarket goods by slightly less than 3 per cent. The value of vehicle sales was over 8 per cent.

Stockmann's sales up 8.4 per cent

Stockmann's sales grew by 8.4 per cent, or FIM 728.2 million (EUR 122.5 million), and were FIM 9 417.5 million (EUR 1 583.9 million). Net turnover grew by FIM 612.7 million (EUR 103.0 million), also by 8.4 per cent, and amounted to FIM 7 845.9 million (EUR 1 319.6 million).

The growth in Stockmann's sales outpaced the average growth in the retail field, though it fell short of the original target. Of Stockmann's units, the biggest sales gain during 1999 was reported by the Automotive Sales Division, whose sales increased by 17 per cent on the previous year, to FIM 2 408.3 million (EUR 405.0 million). Seppälä's sales increased by 10 per cent to FIM 827.4 million (EUR 139.2 million), primarily thanks to the establishment of new retail units. Sales by the Department Store Division grew by 7 per cent to FIM 3 998.5 million (EUR 672.5 million). The Department Store Division's sales in Finland grew by 5 per cent, and the division registered a 21 per cent sales increase abroad. The share of International Operations within the Department Store Division's sales was 12 per cent, as against 11 per cent a year earlier. Sesto's sales grew by 3 per cent and were FIM 963.6 million (EUR 162.1 million). Hobby Hall had sales growth of 2 per cent, to FIM 1 212.3 million (EUR 203.9 million). Hobby Hall's sales increased in Finland, but in Estonia they came a bit short of the previous year's sales figure.

The divestment of Sesto boosts other operating income

In August 1999 Stockmann's Board of Directors launched a study on the strategic alternatives for the supermarket business. Accordingly, tender offers concerning Sesto were invited from both Finland and abroad. On the basis of these offers Sesto's operations were sold, under an agreement signed in November, to Ruokamarkkinat Oy, a Wihuri company, and the Stockmann-owned real-estate properties in which Sesto operated, together with other Sesto's business premises, were sold to Varma-Sampo Mutual Pension Insurance Company. The purchase price was a total of FIM 536 million (EUR 90.1 million), including value added tax on the buildings. The purchase price was paid at the end of 1999, and the business as well as the properties were transferred to the new owners on December 31, 1999.

The goodwill compensation obtained for the Sesto business and the capital gain on the sale of the business premises increased Stockmann's other operating income by FIM 152 million (EUR 25.6 million) to FIM 193 million (EUR 32.5 million). A year earlier other operating income amounted to FIM 41 million (EUR 7.0 million).

Higher other operating income improves earnings

Stockmann's gross margin net of other operating income increased by 6.3 per cent, or FIM 137.0 million (EUR 23.0 million). The relative growth in the gross margin was smaller than sales growth. This was attributable to both a weaken-

Net turnover	1999 FIM mill.	1999 EUR mill.	1998 FIM mill.	1998 EUR mill.	change %	change FIM mill.	change EUR mill.
Department stores in Finland	**2 952.0**	**496.5**	2 812.7	473.1	5	139.3	23.4
International Operations	**410.5**	**69.0**	344.3	57.9	19	66.2	11.1
Department Store Division*	**3 362.5**	**565.5**	3 157.0	531.0	7	205.5	34.6
Automotive Sales Division	**1 981.8**	**333.3**	1 691.0	284.4	17	290.7	48.9
Hobby Hall	**998.8**	**168.0**	979.5	164.7	2	19.2	3.2
Sesto	**816.7**	**137.4**	791.2	133.1	3	25.5	4.3
Seppälä*	**679.7**	**114.3**	622.2	104.6	9	57.5	9.7
Real Estate + others	**153.0**	**25.7**	118.4	19.9	29	34.6	5.8
Eliminations	**-146.5**	**-24.6**	-126.1	-21.2	16	-20.4	-3.4
Total	**7 845.9**	**1 319.6**	7 233.2	1 216.5	8	612.7	103.0

* Seppälä´s Tallinn store was transferred from the Department Store Division to Seppälä on January 1, 1999. The figures for 1998 have been adjusted to facilitate comparison.

ing in the relative gross margin of the Department Store Division and also to the fact that the biggest sales increase was reported by the Automotive Sales Division, whose relative gross margin is considerably lower than that of the other business units. Fixed costs were up 6.2 per cent, or FIM 108.4 million (EUR 18.2 million), and depreciation increased by 25.0 per cent, or FIM 31.7 million (EUR 5.3 million). Stockmann's operating profit grew by FIM 148.5 million (EUR 25.0 million) to FIM 486.2 million (EUR 81.8 million) as a consequence of the growth in other operating income.

Net financial income increased by FIM 3.0 million (EUR 0.5 million) on the previous year and totalled FIM 29.4 million (EUR 4.9 million).

Profit after financial items was FIM 515.6 million (EUR 86.7 million), or FIM 151.6 million (EUR 25.5 million) larger than in 1998. If other operating income is stripped out from both 1999 and 1998 earnings, the actual operational result for 1999 is FIM 322.6 million (EUR 54.3 million), or of the same size as in the previous year. Because there were no extraordinary items in 1999, profit before taxes was similarly FIM 515.6 million (EUR 86.7 million), representing growth on the previous year of FIM 166.1 million (EUR 27.9 million). In 1998 extraordinary expenses were FIM 14.5 million (EUR 2.4 million).

Direct income taxes for the financial year increased by FIM 109.6 million (EUR 18.4 million) to FIM 185.5 million (EUR 31.2 million). The growth in the amount of tax payable in 1999, which is relatively greater than the growth in earnings, is due to tax-deductible write-downs on internal share ownership in 1998, as a consequence of which the total amount of income taxes in the comparison year was exceptionally low. On the other hand, total taxes in the 1999 profit and loss account, FIM 167.0 million (EUR 28.1 million), are lower than the taxes to be paid because the tax liability calculated on the accumulated depreciation differences and the provisions booked on the fixed assets of Sesto, which was divested in 1999, had been booked already in previous years and were realized in connection with the divestment in the form of a reduction in the tax liability in the profit and loss account. Net profit for the financial year grew by FIM 76.4 million (EUR 12.8 million) and was FIM 348.5 million (EUR 58.6 million).

Earnings per share were FIM 6.78 (EUR 1.14), as against FIM 5.32 (EUR 0.89) a year earlier.

Return on investment increased from 12.3 per cent to 15.1 per cent owing to the improved net profit.

Return on equity also improved, from 11.1 per cent to 11.8 per cent.

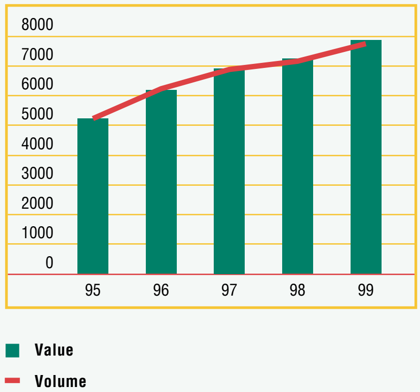
The company's market capitalization declined by EUR 193.0 million (FIM 1 147.5 million) from the previous year and was EUR 777.1 million (FIM 4 620.2 million).

Earnings trend of the units

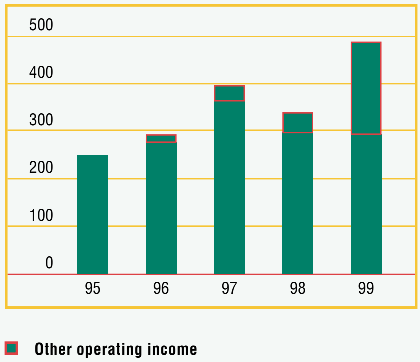
The slower than estimated growth in sales was reflected in the result of most of the commercial units. Their operating profit trend is shown in the chart below. In the fourth quarter the earnings trend of the units was clearly better than it was a year ago.

Operating profit reported by the Department Store Division declined on the previous year. The winding down of excess stocks due to the smaller than expected growth in sales weakened the gross margin, cutting into the operating profit of the department stores in Finland. Furthermore, capital expenditures on expansion led to higher depreciation and costs for premises. The operating loss reported by International Operations diminished somewhat as a consequence of increased sales as well as the restructuring measures that were carried out. Apart from falling short of their sales targets, Sesto's smaller operating profit was due to the costs of establishing new Etujätti hypermarkets, whereas Hobby

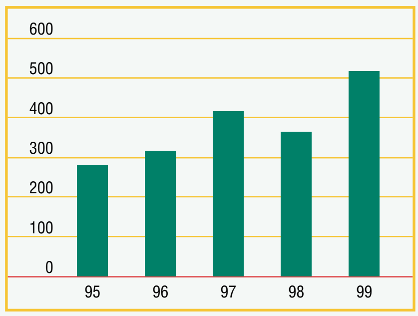
Net turnover 1995-1999, FIM millions



Operating profit 1995-1999, FIM millions



Profit after financial items 1995-1999, FIM millions



Operating profit	1999 FIM mill.	1999 EUR mill.	1998 FIM mill.	1998 EUR mill.	change %	change FIM mill.	change EUR mill.
Department Store Division*	**127.5**	**21.4**	138.1	23.2	-8	-10.6	-1.8
Automotive Sales Division	**25.9**	**4.4**	25.9	4.4	0	0.0	0.0
Hobby Hall	**55.0**	**9.2**	62.8	10.6	-13	-7.9	-1.4
Sesto	**4.8**	**0.8**	13.9	2.3	-65	-9.1	-1.5
Seppälä*	**71.1**	**12.0**	69.7	11.7	2	1.4	0.3
Real Estate	**101.8**	**17.1**	89.5	15.1	14	12.4	2.0
Other operating income	**193.0**	**32.5**	41.4	7.0	366	151.6	25.5
Eliminations + others	**-92.9**	**-15.6**	-103.6	-17.4	-10	10.7	1.8
Total	**486.2**	**81.8**	337.7	56.8	44	148.5	25.0

Operating profit for the commercial units is presented according to management accounting.
* Seppälä´s Tallinn store was transferred from the Department Store Division to Seppälä on January 1, 1999. The figures for 1998 have been adjusted to facilitate comparison.

Hall's operating profit was cut by the strong increase in the division's marketing expenses.

The operating profit figures posted by the Automotive Sales Division and Seppälä were on a par with last year's. The Real-Estate Unit's operating profit grew, primarily due to internal rental income from new Stockmann-owned premises.

A good financial position

Stockmann maintained good liquidity. The amount of liquid funds grew from FIM 382.9 million (EUR 64.4 million) at the end of 1998 to FIM 507.5 million (EUR 85.3 million) due to the effect of the proceeds from the divestment of Sesto's business operations and commercial premises.

Capital expenditures during the year amounted to FIM 381.0 million (EUR 64.1 million).

Loan repayments during the year amounted to FIM 151.3 million (EUR 25.4 million), and a new long-term loan in the amount of FIM 53.2 million (EUR 8.9 million) was raised in Estonia. The amount of long-term loans at the end of 1999 was FIM 107.8 million (EUR 18.1 million). Working capital decreased by FIM 102.5 million (EUR 17.2 million).

The equity ratio at the end of the year was 65.3 per cent (65.1 per cent at December 31, 1998).

Total contingent liabilities decreased by FIM 126.1 million (EUR 21.2 million) from the end of 1998 and totalled FIM 240.0 million (EUR 40.4 million). Stockmann has no associated companies whose contingent liabilities must be disclosed.

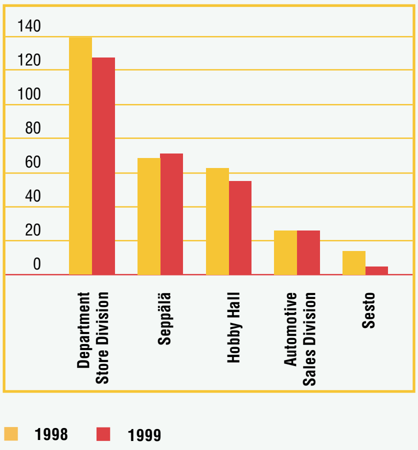
A bigger dividend payout

The regular dividend paid for 1998 was FIM 3.00 (EUR 0.50) per share, in addition to which a supplementary "millennium" dividend of FIM 2.00 (EUR 0.34) per share was paid. The total dividend payout increased by FIM 126.9 million (EUR 21.3 million) from the previous year, rising to FIM 256.9 million (EUR 43.2 million).

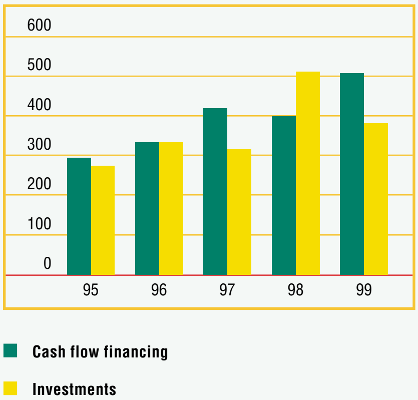
A higher dividend for 1999

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.60 (FIM 3.57) per share, or a total of EUR 30.8 million (FIM 183.3 mil-

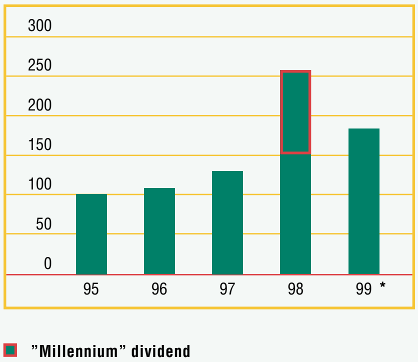
Operating profit of the commercial units 1998-1999, FIM millions



Cash flow financing and investments 1995-1999, FIM millions

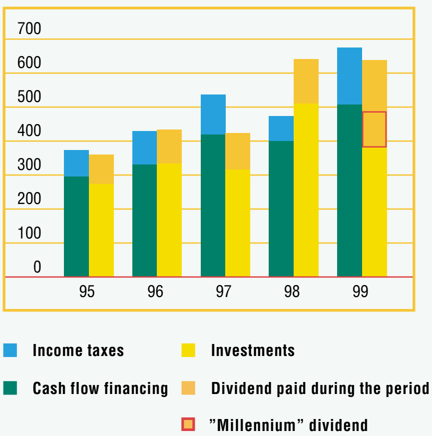


Dividend paid 1995-1999, FIM millions



* Board proposal to the AGM. According to the proposal, EUR 30.8 million (FIM 183.3 million) will be paid for the 1999 financial year.

Cash flow financing, income taxes, dividend paid and investments 1995-1999, FIM millions



lion) be paid for the year 1999. The corresponding dividend paid for the year 1998 was EUR 0.50 (FIM 3.00), in addition to which a supplementary "millennium" dividend of EUR 0.34 (FIM 2.00) per share was paid. The proposed dividend for the year 1999 is 52.6 per cent of the earnings per share after taxes and 75.8 per cent of the corresponding earnings net of other operating income.

Smaller capital expenditures

Capital expenditures amounted to FIM 381.0 million (EUR 64.1 million), compared with FIM 509.9 million (EUR 85.8 million) a year earlier. Sesto's capital expenditures were FIM 39.6 million (EUR 6.7 million) and they were included in the purchase price of the Sesto business operations that were divested.

The most important of the capital expenditures during the year was for Hobby Hall's logistics centre in the Viinikkala district of Vantaa. The logistics centre became operational in July and it, together with its picking and packaging systems, required an outlay of FIM 79.8 million (EUR 13.4 million). The total cost of the project came to FIM 112.2 million (EUR 18.9 million).

At the Tampere department store, an enlargement comprising about 2 500 square metres of retail space was completed in March. The construction works were carried out by the landlord, and Stockmann's share of the investments during the report year was FIM 17.8 million (EUR 3.0 million). The department store will be further enlarged by building an extension, underneath Tuomiokirkonkatu, which connects the Delicatessen Department in the department store to the Academic Bookstore. The work will be completed in the autumn 2000. Stockmann's capital expenditures on the project will amount to FIM 16 million (EUR 2.7 million).

The second Sesto Etujätti hypermarket in the Tampere economic area was opened in May in rented premises in the Partola district of Pirkkala. Stockmann's share of the investments in the Etujätti hypermarket were FIM 10.8 million (EUR 1.8 million).

The Mitsubishi and Skoda outlet that was opened in Tikkurila, Vantaa, at the beginning of June called for an investment of FIM 12.3 million (EUR 2.1 million) during the year under review. The total costs of the car dealership building were FIM 19.1 million (EUR 3.2 million).

Modernization of the cash register systems at the department stores in Finland called for an outlay of FIM 19.4 million (EUR 3.3 million) during the report year.

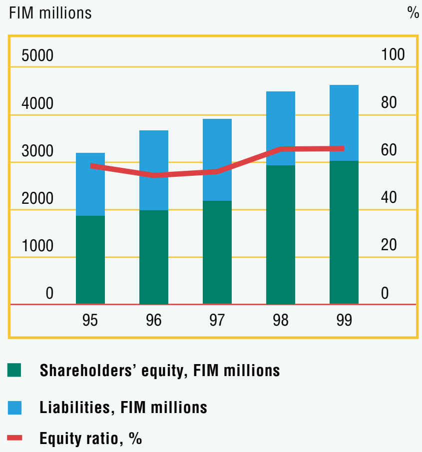
Construction works on the enlargement of the department store in Tallinn, including a 400 vehicle parking building, got started in May. During the report year the capital expenditure on the project was FIM 39.0 million (EUR 6.6 million) and its total cost estimate is about FIM 85 million (EUR 14.3 million). Three new floors will be added to the department store, increasing its total floor space by about 9 000 square metres. The retail sales area will grow from 5 500 square metres to 14 000 square metres. According to plans, the enlargement of the department store will be completed at the end of March 2000. The parking building was opened in October 1999.

Of the other capital expenditures, FIM 38.7 million (EUR 6.5 million) went for buildings, FIM 95.9 million (EUR 16.1 million) for machinery and equipment, FIM 30.9 million (EUR 5.2 million) for information technology systems included in intangible rights and FIM 29.5 million (EUR 5.0 million) for other non-current investments.

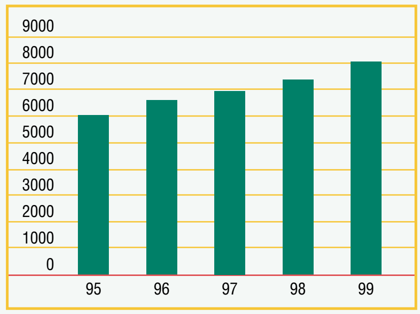
In October Stockmann signed a memorandum of intent on opening a full-scale department store with about 10 200 square metres of retail sales space in the heart of Oulu. The objective is to open the department store in time for the Christmas sales season in 2001. The project will be implemented in cooperation with the landlord, and according to the initial cost estimate, Stockmann's share of the investments is somewhat more than FIM 50 million (EUR 8.4 million).

During 2000 an extension that will add about 2 200 square metres of retail space to the Turku department store will also be started. The construction work will be carried out by the landlord, and Stockmann's share of the investments will be about FIM 23 million (approx. EUR 3.9 million). The extension is planned for completion in the autumn 2000.

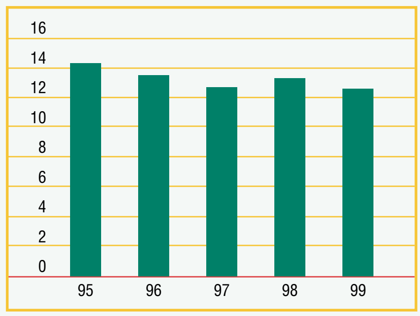
Equity ratio 1995-1999



Average number of staff 1995-1999



Staff costs 1995-1999, % of net turnover



In the spring 2000 Hobby Hall will launch an efficient, customer-oriented Internet store that will be well supported by the new logistics centre. Development work will continue ahead after the launch. The costs of developing Hobby Hall's Internet shopping system are estimated to be about FIM 10 million (approx. EUR 1.7 million) this year.

In the autumn 2000 Seppälä will open its first 3-4 stores in Sweden. This will bring first-hand experience of operating in the Swedish market and test the viability of Seppälä's concept there. On the basis of the feedback obtained, in the spring 2001, decisions will be taken on the possibility of expanding operations in Sweden. The stores will be opened in rented premises and Seppälä's share of the investments will be about FIM 4 million (approx. EUR 0.7 million).

Share capital and shares

The number of the company's shares outstanding at the end of 1999 was 51 382 977, of which 24 868 893 were Series A shares and 26 514 084 were Series B shares.

The company's Board of Directors does not have valid authorizations to increase the share capital, issue convertible bonds or bonds with warrants or to purchase its own shares.

In disapplication of shareholders' pre-emptive subscription rights, the Annual General Meeting resolved to grant Stockmann's Loyal Customers whose registered purchases together with purchases made with other parallel cards that are charged to the same account were a minimum of FIM 10 000 (EUR 1 681.88) in aggregate amount during 1997 and 1998 new share options on more favourable terms than previously, these options ranking as alternatives to the previous Loyal Customer options in accordance with the resolution of the 1998 Annual General Meeting. The new share options can be exercised to subscribe for a maximum total of 2.6 million Series B shares at a price of EUR 15.70 (FIM 93.35) per share less the per-share dividend distributed after April 1, 1999. The subscription period for the shares to be subscribed for on the basis of the share options is either May 2001 or May 2002. On the basis of these subscriptions the company's share capital can increase by a maximum of about FIM 26 million (approx. EUR 4.4 million).

The Board of Directors will propose to the Annual General Meeting that the terms and conditions of the Loyal Customer share options in accordance with the resolution of the 1999 Annual General Meeting be amended to make them considerably more favourable such that the subscription period will be extended by three years, whereby holders of the options can elect to subscribe for shares at a later date, in May 2003, May 2004 or May 2005. The other terms and conditions of the share options will remain unchanged from the previous proposal. In addition, the Board of Directors will propose to the Annual General Meeting a new share option programme targeted at the key employees of the top and middle management of Stockmann and its subsidiaries. The programme is part of the management incentive and commitment system.

The Board of Directors will also propose to the Annual General Meeting that the company's shares that are on the book-entry waiting list be sold for their owners' account.

The Board of Directors will request that the Annual General Meeting grant it an authorization for one year to decide on purchasing the company's own shares and on their transfer.

Amendments to the Articles of Association

The Board of Directors will propose to the Annual General Meeting the partial amendment of the Articles of Association, notably, such that the share capital be redenominated in euros, the minimum and maximum share capital be changed accordingly and that the par value of the share be changed to 2 euros. A further amendment to the Articles of Association will be proposed to the effect that a shareholder whose proportion of all the company's shares or votes reaches or exceeds 33 1/3 per cent or 50 per cent shall be obligated to make a tender offer to exercise a pre-emptive purchase of the other shareholders' shares. The principal content of all the proposed amendments is set forth in the Notice of Meeting. A detailed amendment proposal is available for public inspection at the company's head office before the Annual General Meeting, pursuant to the provisions of the Companies Act, no later than one week before the general meeting, and it will be sent to shareholders upon request.

A smaller payroll at year end

Stockmann's payroll at the end of December 1999 was 7 741 employees, or 620 employees less than a year ago. The number of employees fell by 770 people on the last day of the year when Sesto's personnel transferred to the employ of Ruokamarkkinat Oy, which is part of the Wihuri Group.

In 1999 Stockmann employed an average of 8 041 people, or 680 more than in the previous year, when the average payroll was 7 361 employees. The parent company employed an average of 5 661 people. In the previous year, the parent company had an average payroll of 5 338 employees, i.e. the increase in personnel strength from the corresponding period a year earlier was 323 employees.

The average number of personnel was increased by the company's new retail sales premises as well as by the focusing of increased resources on customer service.

The staff at international units numbered 1 078 employees at the end of 1999. At the end of the previous year, 1 145 people were employed at Stockmann units abroad.

Personnel, average	**1999**	1998	Change
Department Store Division *	**4 984**	4 600	384
Automotive Sales Division	**703**	620	83
Hobby Hall	**601**	563	38
Sesto	**792**	724	68
Seppälä *	**813**	709	104
Management and administration	**148**	145	3
Total	**8 041**	7 361	680

* Seppälä´s Tallinn store was transferred from the Department Store Division to Seppälä on January 1, 1999. The figures for 1998 have been adjusted to facilitate comparison.

Preparation for the Year 2000 and introduction of the euro

Preparations for the Year 2000 went according to plans and the transition to the new millennium did not cause any IT system disturbances that hampered the company's operations.

Stockmann will not go over to using the euro as its accounting currency until the beginning of 2002 because the majority of Stockmann's customers are Finns and the bulk of purchases and sales are made in markkaa.

Preparations for introducing the euro have progressed according to the plans formulated by a project organization that was set up for this purpose. Most of the system modifications for the introduction of the euro have already been carried out during 1999.

Outlook for 2000

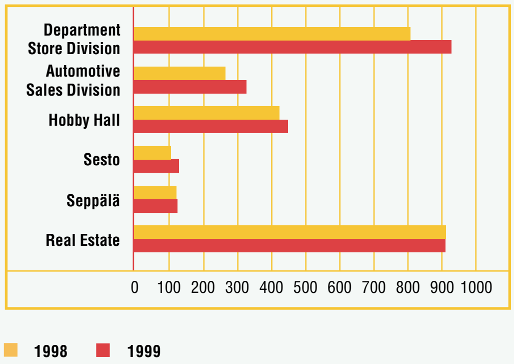
Retail sales are estimated to grow by about 4 per cent in Finland during 2000. Stockmann's same-unit sales net of Sesto are estimated to be clearly faster than the average rate in the retail trade. The company's management estimates that sales in 2000 will come in at more than FIM 9 billion, or slightly more than EUR 1.5 billion. The company's sales will fall somewhat short of the 1999 sales figure because Sesto's sales are no longer included in it. Last year Sesto had sales of FIM 964 million, which amounts to EUR 162 million.

New capital expenditures and outlays on expanding business operations will continue to burden the financial result because they show up as start-up costs and higher depreciation. Management is nonetheless seeking to achieve profit after financial items in 2000 that is of the same magnitude as the corresponding result in 1999. The 1999 result net of the FIM 193 million (EUR 32.5 million) of capital gains that were booked to other operating income was FIM 323 million, or EUR 54.3 million.

Board proposal for the distribution of profits

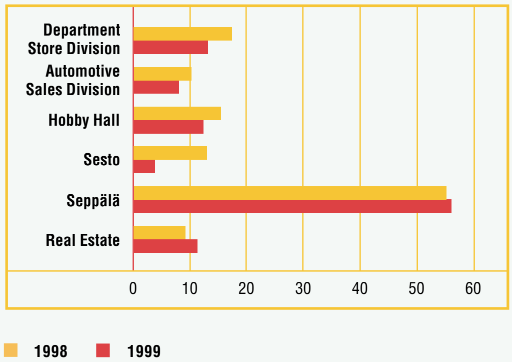
The Board of Directors' proposal for the parent company's dividend is on page 70 of the Annual Report.

Capital invested 1998-1999, FIM millions



Return on investment, percentage* 1998-1999

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



The share capital of Stockmann plc is divided into Series A and Series B shares. Series A shares carry ten votes and Series B shares one vote. The par value of both series of shares is FIM 10. 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 balance sheet date, 99.9% of the company's shares outstanding had been registered in the book-entry system.

The number of shareholders at December 31, 1999, was 12 893 (12 669 shareholders at December 31, 1998).

Share capital of Stockmann plc, December 31, 1999

Series A:	24 868 893 shares at FIM 10 each = FIM 248 688 930
Series B:	26 514 084 shares at FIM 10 each = FIM 265 140 840
Total:	51 382 977 shares at FIM 10 each = FIM 513 829 770

Changes in the share capital 1995-1999

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. The issue is non-interest bearing and it was subscribed in its entirety during 1997. In accordance with the terms of the issue, the bonds will be repaid in one instalment on April 21, 2000.

In accordance with the terms and conditions which the Annual General Meeting decided in respect of the bond loan with equity warrants, the warrants can be exercised to subscribe for 1 260 000 Series B shares at a price of FIM 320 per share less the dividends per share distributed after May 1, 1997. Taking into account the effect of halving the par value of the share, the bonus issue and the rights issue, all of which were carried out in 1998, the above-mentioned subscription price is FIM 102.14, or EUR 17.18, per share less the dividends per share distributed after May 1, 1997. The subscription price of the share after the payment of the dividends for the 1997 – 1998 financial years and the proposed dividend for the 1999 financial year is FIM 91.00, or EUR 15.30.

The subscription periods are as follows: 315 000 shares from April 1, 2000 to January 31, 2004, 315 000 shares from April 1, 2001 to January 31, 2004 and 630 000 shares from April 1, 2002 to January 31, 2004.

As a consequence of the subscriptions made on the basis of the warrants, the share capital can be increased by a maximum of FIM 12.6 million. The shares to be subscribed for on the basis of the warrants represent a maximum of 2.39 per cent of the number of shares outstanding and a maximum of 0.46 per cent of the voting rights.

1998

Halving of the par value, bonus issue and rights issue. The par value of the share was halved from FIM 20 to FIM 10. In the bonus issue that was carried out concurrently, two Series A shares with a par value of FIM 10 or, similarly, two Series B shares entitled their holders to receive one new share of the same series free of charge. In the rights issue, four Series A or Series B shares with a par value of FIM 10 prior to the bonus issue entitled their holders to subscribe for one new Series B share with a par value of FIM 10 at a price of FIM 75 per share. Following the halving of the par value and the share issues, the number of the company's issued Series A shares is 24 868 893, the number of Series B shares is 26 514 084 and the share capital is FIM 513 829 770. In accordance with the new Articles of Association, shareholders shall have the possibility of converting their Series A shares into Series B shares.

Loyal Customer share options. In 1998 the Annual General Meeting resolved to grant to Loyal Customers options entitling them to subscribe Series B shares during the period from April 24 to May 5, 2000, at a price of FIM 149 per share (EUR 25.06 per share). As a consequence of subscriptions made on the basis of these options, the share capital can increase by a maximum of FIM 24 million. At the present share price level the options are nevertheless not in practice exercisable.

1999

New Loyal Customer share options. As an alternative to the above-mentioned share options, the Annual General Meeting passed a resolution in 1999 to grant Loyal Customers new and improved share options entitling them to subscribe for Series B shares in either May 2001 or May 2002 at a price of EUR 15.70 per share (FIM 93.35 per share) less the dividends per share distributed after April 1, 1999. The subscription price after the proposed dividend for the 1999 financial year is EUR 14.26 per share, or FIM 84.78 per share.

As a consequence of the subscriptions to be made on the basis of these share options, the share capital can be increased by a maximum of FIM 26 million. The shares to be subscribed for on the basis of the options represent a maximum of 4.82 per cent of the number of shares outstanding and a maximum of 0.94 per cent of the voting rights.

2000

Board of Directors' proposals to the Annual General Meeting

The Board of Directors will propose to the Annual General Meeting that the share capital be redenominated in euros, that the share capital be increased to EUR 102 765 954 through an EUR 16 345 990.43 bonus issue and that the par value of the share be set at 2 euros.

The Board of Directors will propose to the Annual General Meeting that the terms and conditions of the new Loyal Customer share options according to the resolution of the 1999 Annual General Meeting be amended to make them considerably more favourable such that the subscription period will be extended by three years, whereby holders of the options can elect to subscribe for shares at a later date, in May 2003, May 2004 or May 2005. The other terms and conditions of the share options will remain unchanged from the previous proposal.

The Board of Directors will propose to the Annual General Meeting that key employees belonging to the senior management or middle management of Stockmann or its subsidiaries be granted 2 500 000 share options. Option A can be exercised to subscribe for 625 000 Stockmann Series B shares at a price of EUR 20 per share, option B to subscribe for 625 000 Series B shares at a price of EUR 21 per share and option C to subscribe for 1 250 000 Series B shares at a price of EUR 22 per share. The subscription price of the share will be reduced by the amount of the cash dividend payout per share after April 11, 2000, and before the share subscription as determined on the record date for each dividend payout. The subscription periods for the shares are as follows: with warrant A from April 1, 2003, to April 1, 2007, with warrant B from April 1, 2004, to April 1, 2007, and with warrant C from April 1, 2005, to April 1, 2007. As a consequence of the subscriptions made on the basis of these options, the share capital can be increased by a maximum of EUR 5.0 million. The shares to be subscribed for on the basis of the options represent a maximum of 4.64 per cent of the number of shares outstanding and a maximum of 0.90 per cent of the voting rights.

The Board of Directors will propose authorizations for a period of one year to decide on purchasing the company's own shares and on their transfer. In addition, the Board of Directors will propose that shares which are on the book-entry waiting list be sold for their owners' account.

Shares

General price development

Share prices rose by 161.98 per cent during the financial year as measured by the HEX General Index of Helsinki Exchanges and by 66.24 per cent as measured by the HEX Portfolio Index. The retail industry index fell by 7.63 per cent.

Price development of Stockmann's shares

	Closing prices Dec. 31, 1999		Closing prices Dec. 31, 1998		Change, %
	EUR	FIM	EUR	FIM	
Series A	16.00	95.13	21.87	130.00	-21
Series B	14.30	85.02	16.08	95.60	-15

Taxation values of Stockmann's shares in 1999

The taxation value of the Series A share in 1999 was EUR 11.74, or FIM 69.80, and the taxation value of the Series B share was EUR 9.94, or FIM 59.10.

Turnover of Stockmann's shares

	No. of shares	% of total shares outstanding	EUR	FIM	Average price EUR	Average price FIM
Series A	2 479 263	10	44 502 159	264 597 822	17.95	106.72
Series B	5 853 426	5	81 928 554	487 125 061	14.00	83.22
Total	8 332 689		126 430 713	751 722 883		

The total value of the Stockmann shares traded was 0.12% of the share turnover on the Helsinki Exchanges. The market capitalization of the company at December 31, 1999, was EUR 777 million (FIM 4 620 million). At December 31, 1998, the market capitalization was EUR 970 million (FIM 5 768 million).

The trading lot for both the Series A and Series B share is 50 shares.

Shareholders

Ownership structure

	Shareholders		Percentage of shares
	no.	%	%
Households	11 984	93.0	17.7
Private and public corporations	441	3.4	18.2
Banks and insurance companies	53	0.4	8.7
Public sector entities and non-profit organizations	338	2.6	49.7
Foreign shareholders (incl. nominee registrations)	77	0.6	5.6
Unregistered shares			0.1
Total	12 893	100.0	100.0

Numbers of shares

	Shareholders		Percentage of shares
	no.	%	%
1-100	2 812	22.3	0.3
101-1000	7 823	60.3	6.0
1001-10000	2 031	15.7	10.2
10001-100000	177	1.4	9.7
100001-	50	0.4	73.7
Total	12 893	100.0	100.0

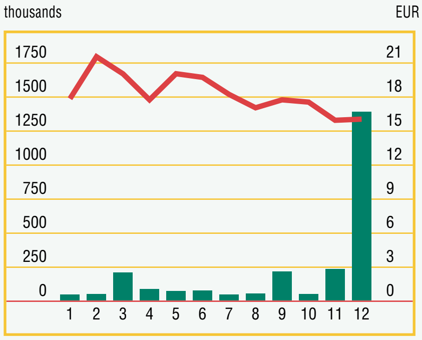
Major shareholders at December 31, 1999

	Percentage of votes	Percentage of shares
1 Föreningen Konstsamfundet	14.77	11.57
2 Svenska litteratursällskapet i Finland	12.90	8.09
3 Niemistö grouping	10.04	7.84
4 Etola companies	7.43	5.84
5 Sampo-Varma Group	6.99	6.58
6 Stiftelsen för Åbo Akademi	6.65	4.96
7 Wilhelm och Else Stockmanns Stiftelse	2.56	1.59
8 Jenny ja Antti Wihurin rahasto	2.42	2.44
9 Stiftelsen Bensows Barnhem Granhyddan	1.61	1.29
10 Helene och Walter Grönqvists Stiftelse	1.59	1.09
11 Samfundet Folkhälsan i svenska Finland	1.58	1.57
12 Stiftelsen Brita Maria Renlunds minne	1.00	0.81
13 William Thurings stiftelse	0.87	0.66
14 Sigrid Jusélius Stiftelse	0.85	0.74
15 Ilmarinen Mutual Pension Insurance Company	0.64	3.41
16 SFV-Foundation	0.56	0.41
17 Pension Fund Polaris	0.54	0.44
18 Signe och Ane Gyllenbergs stiftelse	0.38	0.24
19 Kuistila Katja	0.32	0.18
20 Kuistila Kaj	0.31	0.18
Total	74.01	59.93

The holdings in the personal ownership of the members of the company's Board of Directors and managing director as well as the ownership of institutions under their control and persons under their guardianship at December 31, 1999, was a total of 7 042 746 shares, which represents a total of 13.7 per cent of the shares outstanding and 17.5 per cent of the voting rights. (December 31, 1998: 7 304 701 shares, representing 14.2 per cent of the shares and 18.7 per cent of the voting rights).

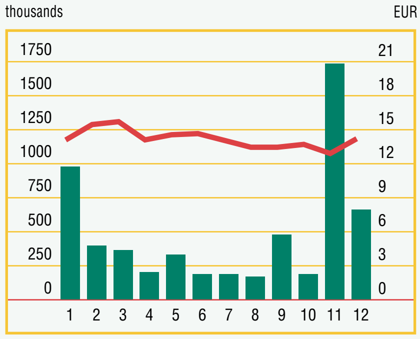
Share graphs

Turnover and price trend of Series A shares in 1999



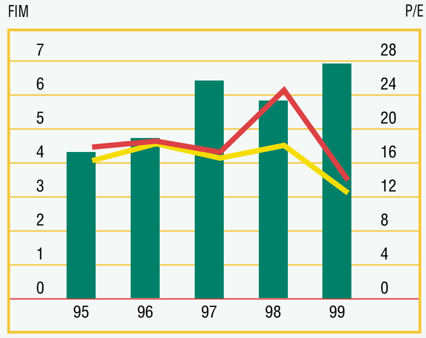
- Monthly closing price
- Turnover, no. of shares

Turnover and price trend of Series B shares in 1999



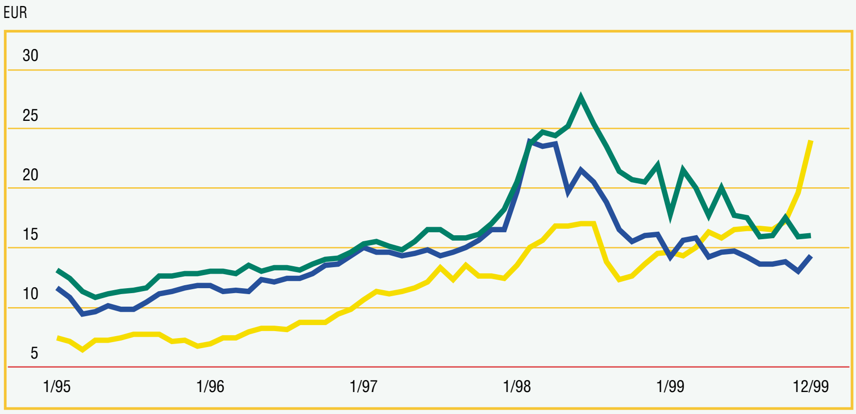
- Monthly closing price
- Turnover, no. of shares

Earnings per share and P/E ratio 1995-1999 (share-issue adjusted)



- Profit coefficient (A)
- Profit coefficient (B)
- Earnings per share

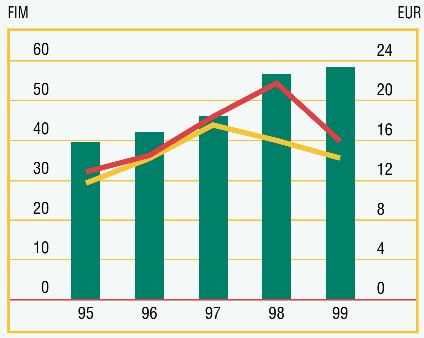
Price trend of Series A and Series B shares (share-issue adjusted) compared with the HEX Portfolio Index 1995-1999



- HEX Portfolio Index*
- Stockmann A
- Stockmann B

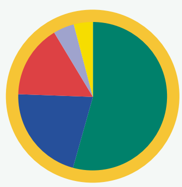
* The weighting of each company in the index is limited to a maximum of 10 per cent.

Equity per share and share price 1995-1999



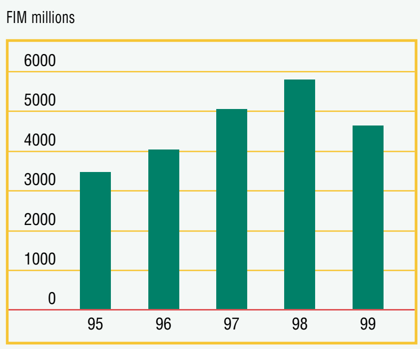
- Share price at year end, share-issue adjusted (A), EUR
- Share price at year end, share-issue adjusted (B), EUR
- Equity per share, FIM

Distribution of votes



- 54.3% Public sector and non-profit organizations
- 21.2% Private and public corporations
- 15.8% Households
- 4.5% Foreign shareholders (incl. nominee registrations)
- 4.1% Banks and insurance companies

Market capitalization 1995-1999



KEY FIGURES

Key figures

		1995	1996	1997	1998	**1999**
Sales	FIM millions	6 249.1	7 420.2	8 289.4	8 689.3	**9 417.5**
Change on the previous year	%	13.9	18.7	11.7	4.8	**8.4**
Net turnover	FIM millions	5 213.8	6 164.5	6 900.0	7 233.2	**7 845.9**
Change on the previous year	%	14.4	18.2	11.9	4.8	**8.4**
Operating profit	FIM millions	248.5	291.4	394.6	337.7	**486.2**
Change on the previous year	%	14.5	17.3	35.4	-14.4	**44.0**
Share of net turnover	%	4.8	4.7	5.7	4.7	**6.2**
Profit before extraordinary items	FIM millions	280.3	315.9	415.2	364.0	**515.6**
Change on the previous year	%	13.5	12.7	31.4	-12.3	**41.6**
Share of net turnover	%	5.4	5.1	6.0	5.0	**6.6**
Profit before taxes	FIM millions	281.6	316.0	415.2	349.5	**515.6**
Change on the previous year	%	14.0	12.2	31.4	-15.8	**47.5**
Share of net turnover	%	5.4	5.1	6.0	4.8	**6.6**
Share capital	FIM millions	288.3	288.6	288.9	513.8	**513.8**
Series A	FIM millions	165.8	165.8	165.8	248.7	**248.7**
Series B	FIM millions	122.5	122.8	123.1	265.1	**265.1**
Dividends	FIM millions	100.9	108.2	130.0	256.9	**183.3***
Return on equity	%	11.2	11.4	14.4	11.1	**11.8**
Return on investment	%	13.2	13.3	15.6	12.3	**15.1**
Equity ratio	%	58.1	54.0	55.6	65.1	**65.3**
Gearing	%	8.7	19.7	19.9	9.0	**0.7**
Investment in fixed assets	FIM millions	273.7	333.2	315.2	509.9	**381.0**
Share of net turnover	%	5.2	5.4	4.6	7.0	**4.9**
Interest-bearing debtors	FIM millions	430.6	509.7	537.7	585.9	**699.3**
Interest-bearing liabilities	FIM millions	500.8	777.7	811.9	644.6	**529.9**
Interest-bearing net debt	FIM millions	-270.4	-121.0	-106.7	-324.2	**-677.9**
Total assets	FIM millions	3 176.2	3 645.9	3 889.5	4 470.9	**4 599.7**
Staff expenses	FIM millions	747.7	833.6	877.3	958.6	**992.1**
Share of net turnover	%	14.3	13.5	12.7	13.3	**12.6**
Personnel, average	persons	6 015	6 589	6 934	7 361	**8 041**
Net turnover per person	FIM thousands	866.8	935.6	995.1	982.6	**975.7**
Operating profit per person	FIM thousands	41.3	44.2	56.9	45.9	**60.5**
Staff expenses per person	FIM thousands	124.3	126.5	126.5	130.2	**123.4**

*) Board proposal to the AGM. According to the proposal, a dividend of EUR 0.60 per share will be paid.

Definition of key indicators

Profit before extraordinary items = Operating profit + financial income and expenses

Profit before taxes = Profit before extraordinary items + extraordinary income and charges

$$\text{Return on equity, \%} = 100 \times \frac{\text{Profit before extraordinary items less income taxes}}{\text{Capital and reserves + minority interest (average over the year)}}$$

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

$$\text{Equity ratio, \%} = 100 \times \frac{\text{Capital and reserves + minority interest}}{\text{Total assets less advance payments received}}$$

$$\text{Gearing, \%} = 100 \times \frac{\text{Interest-bearing liabilities less cash in hand and at banks less securities held in current assets}}{\text{Capital and reserves + minority interest}}$$

Per-share data

Per-share data 1)		1995	1996	1997	1998	**1999**
Earnings per share	FIM	4.31	4.67	6.37	5.79	**6.78**
Earnings per share, diluted	FIM	4.24	4.62	6.22	5.32	**6.78**
Equity per share	FIM	39.58	42.15	46.24	56.64	**58.41**
Dividend per share	FIM	2.16	2.32	2.78	5.00	**3.57***
Dividend per earnings	%	50.2	49.6	43.6	86.4	**52.6***
Cash flow per share	FIM	4.15	3.52	7.31	2.98	**11.83***
Effective yield of shares	%					
Series A		2.8	2.7	2.5	3.8	**3.8**
Series B		3.1	2.7	2.7	5.2	**4.2**
P/E ratio of shares						
Series A		17.8	18.5	17.2	24.5	**14.0****
Series B		16.2	18.2	16.5	18.0	**12.5****
Share quotation at December 31	FIM					
Series A		76.76	86.67	109.88	130.00	**95.13**
Series B		70.03	84.84	104.89	95.60	**85.02**
Highest price during the period	FIM					
Series A		81.10	86.67	109.88	183.00	**136.75**
Series B		74.04	84.84	107.98	154.26	**106.73**
Lowest price during the period	FIM					
Series A		60.36	70.88	84.38	107.00	**89.25**
Series B		53.06	66.02	81.45	85.00	**74.32**
Average price during the period	FIM					
Series A		71.45	80.93	94.76	151.08	**106.72**
Series B		64.16	74.76	89.43	115.09	**83.22**
Share turnover	thousands					
Series A		2 225	1 692	2 732	2 924	**2 479**
Series B		6 919	6 381	6 259	5 194	**5 853**
Share turnover	%					
Series A		8.9	6.8	11.0	11.8	**10.0**
Series B		34.0	31.4	28.6	19.6	**22.1**
Market capitalization at December 31	FIM millions	3 446.2	4 009.6	5 035.5	5 767.7	**4 620.2**
Number of shares at December 31	thousands	46 635	46 684	46 733	51 383	**51 383**
Series A		24 869	24 869	24 869	24 869	**24 869**
Series B		21 766	21 815	21 864	26 514	**26 514**
Weighted average number of shares	thousands	46 635	46 684	46 692	49 523	**51 383**
Series A		24 869	24 869	24 869	24 869	**24 869**
Series B		21 766	21 815	21 823	24 654	**26 514**
Total number of shareholders at December 31	persons	11 329	11 045	10 772	12 669	**12 893**

1) Adjusted for share issues

*) Board proposal to the AGM. According to the proposal, a dividend of EUR 0.60 per share will be paid.

**) The dilution effect of options has been taken into account in the 1999 figures.

Definition of key indicators

Earnings per share, adjusted for share issues	=	$\frac{\text{Profit before extraordinary items less income taxes}}{\text{Average number of shares, adjusted for share issues}}$
Equity per share	=	$\frac{\text{Capital and reserves}}{\text{Number of shares at the balance sheet date, adjusted for share issues}}$
Dividend per share, adjusted for share issues	=	Dividend per share, adjusted for share issues
Dividend per earnings, %	= 100 x	$\frac{\text{Dividend per share}}{\text{Earnings per share}}$
Cash flow per share	=	$\frac{\text{Cash flow from operations}}{\text{Average number of shares, adjusted for share issues}}$
Effective yield of shares, %	= 100 x	$\frac{\text{Dividend per share, adjusted for share issues}}{\text{Share quotation at December 31, adjusted for share issues}}$
P/E ratio for shares	=	$\frac{\text{Share quotation at December 31, adjusted for share issues}}{\text{Earnings per share}}$
Share quotation at Dec. 31, adjusted for share issues	=	Share quotation at the balance sheet date, adjusted for share issues
Highest share price during the period, adjusted for share issues	=	Highest price of the company's shares during the period, adjusted for share issues
Lowest share price during the period, adjusted for share issues	=	Lowest price of the company's shares during the period, adjusted for share issues
Average share price over the period, adjusted for share issues	=	Share turnover in markka terms divided by the number of shares traded during the period, adjusted for share issues
Share turnover	=	Quantitative share turnover, adjusted for share issues
Market capitalization at December 31	=	Number of shares multiplied by the quotation for the respective share type on the balance sheet date

Key figures

		1995	1996	1997	1998	**1999**
Sales	EUR millions	1 051.0	1 248.0	1 394.2	1 461.4	**1 583.9**
Change on the previous year	%	13.9	18.7	11.7	4.8	**8.4**
Net turnover	EUR millions	876.9	1 036.8	1 160.5	1 216.5	**1 319.6**
Change on the previous year	%	14.4	18.2	11.9	4.8	**8.4**
Operating profit	EUR millions	41.8	49.0	66.4	56.8	**81.8**
Change on the previous year	%	14.5	17.3	35.4	-14.4	**44.0**
Share of net turnover	%	4.8	4.7	5.7	4.7	**6.2**
Profit before extraordinary items	EUR millions	47.1	53.1	69.8	61.2	**86.7**
Change on the previous year	%	13.5	12.7	31.4	-12.3	**41.6**
Share of net turnover	%	5.4	5.1	6.0	5.0	**6.6**
Profit before taxes	EUR millions	47.4	53.1	69.8	58.8	**86.7**
Change on the previous year	%	14.0	12.2	31.4	-15.8	**47.5**
Share of net turnover	%	5.4	5.1	6.0	4.8	**6.6**
Share capital	EUR millions	48.5	48.5	48.6	86.4	**86.4**
Series A	EUR millions	27.9	27.9	27.9	41.8	**41.8**
Series B	EUR millions	20.6	20.7	20.7	44.6	**44.6**
Dividends	EUR millions	17.0	18.2	21.9	43.2	**30.8***
Return on equity	%	11.2	11.4	14.4	11.1	**11.8**
Return on investment	%	13.2	13.3	15.6	12.3	**15.1**
Equity ratio	%	58.1	54.0	55.6	65.1	**65.3**
Gearing	%	8.7	19.7	19.9	9.0	**0.7**
Investment in fixed assets	EUR millions	46.0	56.0	53.0	85.8	**64.1**
Share of net turnover	%	5.2	5.4	4.6	7.0	**4.9**
Interest-bearing debtors	EUR millions	72.4	85.7	90.4	98.5	**117.6**
Interest-bearing liabilities	EUR millions	84.2	130.8	136.6	108.4	**89.1**
Interest-bearing net debt	EUR millions	-45.5	-20.4	-17.9	-54.5	**-114.0**
Total assets	EUR millions	534.2	613.2	654.2	752.0	**773.6**
Staff expenses	EUR millions	125.7	140.2	147.6	161.2	**166.9**
Share of net turnover	%	14.3	13.5	12.7	13.3	**12.6**
Personnel, average	persons	6 015	6 589	6 934	7 361	**8 041**
Net turnover per person	EUR thousands	145.8	157.4	167.4	165.3	**164.1**
Operating profit per person	EUR thousands	6.9	7.4	9.6	7.7	**10.2**
Staff expenses per person	EUR thousands	20.9	21.3	21.3	21.9	**20.8**

*) Board proposal to the AGM. According to the proposal, a dividend of EUR 0.60 per share will be paid.

Definition of key indicators

Profit before extraordinary items = Operating profit + financial income and expenses

Profit before taxes = Profit before extraordinary items + extraordinary income and charges

Return on equity, % $= 100 \times \dfrac{\text{Profit before extraordinary items less income taxes}}{\text{Capital and reserves + minority interest (average over the year)}}$

Return on investment, % $= 100 \times \dfrac{\text{Profit before extraordinary items + interest and other financial expenses}}{\text{Total assets less non-interest-bearing liabilities (average over the year)}}$

Equity ratio, % $= 100 \times \dfrac{\text{Capital and reserves + minority interest}}{\text{Total assets less advance payments received}}$

Gearing, % $= 100 \times \dfrac{\text{Interest-bearing liabilities less cash in hand and at banks less securities held in current assets}}{\text{Capital and reserves + minority interest}}$

Per-share data

Per-share data[1]		1995	1996	1997	1998	**1999**
Earnings per share	EUR	0.72	0.79	1.07	0.97	**1.14**
Earnings per share, diluted	EUR	0.71	0.78	1.05	0.89	**1.14**
Equity per share	EUR	6.66	7.09	7.78	9.53	**9.82**
Dividend per share	EUR	0.36	0.39	0.47	0.84	**0.60***
Dividend per earnings	%	50.2	49.6	43.6	86.4	**52.6***
Cash flow per share	EUR	0.70	0.59	1.23	0.50	**1.99***
Effective yield of shares	%					
Series A		2.8	2.7	2.5	3.8	**3.8**
Series B		3.1	2.7	2.7	5.2	**4.2**
P/E ratio of shares						
Series A		17.8	18.5	17.2	24.5	**14.0****
Series B		16.2	18.2	16.5	18.0	**12.5****
Share quotation at December 31	EUR					
Series A		12.91	14.58	18.48	21.86	**16.00**
Series B		11.78	14.27	17.64	16.08	**14.30**
Highest price during the period	EUR					
Series A		13.64	14.58	18.48	30.78	**23.00**
Series B		12.45	14.27	18.16	25.94	**17.95**
Lowest price during the period	EUR					
Series A		10.15	11.92	14.19	18.00	**15.01**
Series B		8.92	11.10	13.70	14.30	**12.50**
Average price during the period	EUR					
Series A		12.02	13.61	15.94	25.41	**17.95**
Series B		10.79	12.57	15.04	19.36	**14.00**
Share turnover	thousands					
Series A		2 225	1 692	2 732	2 924	**2 479**
Series B		6 919	6 381	6 259	5 194	**5 853**
Share turnover	%					
Series A		8.9	6.8	11.0	11.8	**10.0**
Series B		34.0	31.4	28.6	19.6	**22.1**
Market capitalization at December 31	EUR millions	579.6	674.4	846.9	970.1	**777.1**
Number of shares at December 31	thousands	46 635	46 684	46 733	51 383	**51 383**
Series A		24 869	24 869	24 869	24 869	**24 869**
Series B		21 766	21 815	21 864	26 514	**26 514**
Weighted average number of shares	thousands	46 635	46 684	46 692	49 523	**51 383**
Series A		24 869	24 869	24 869	24 869	**24 869**
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Total number of shareholders at December 31	persons	11 329	11 045	10 772	12 669	**12 893**

[1]) Adjusted for share issues

*) Board proposal to the AGM. According to the proposal, a dividend of EUR 0.60 per share will be paid.

**) The dilution effect of options has been taken into account in the 1999 figures.

Definition of key indicators

Earnings per share, adjusted for share issues $= \dfrac{\text{Profit before extraordinary items less income taxes}}{\text{Average number of shares, adjusted for share issues}}$

Equity per share $= \dfrac{\text{Capital and reserves}}{\text{Number of shares at the balance sheet date, adjusted for share issues}}$

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

Dividend per earnings, % $= 100 \times \dfrac{\text{Dividend per share}}{\text{Earnings per share}}$

Cash flow per share $= \dfrac{\text{Cash flow from operations}}{\text{Average number of shares, adjusted for share issues}}$

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

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

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

Average share price over the period, adjusted for share issues = Share turnover in euro terms divided by the number of shares traded during the period, adjusted for share issues

Share turnover = Quantitative share turnover, adjusted for share issues

Market capitalization at December 31 = Number of shares multiplied by the quotation for the respective share type on the balance sheet date

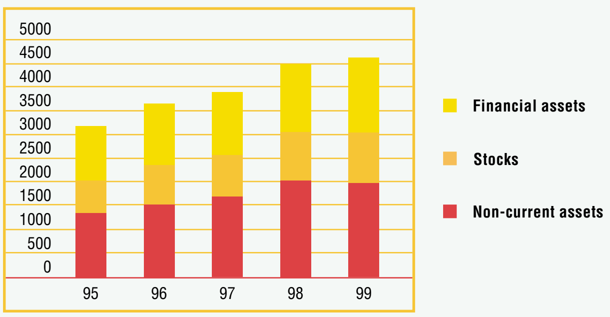
Profit and Loss Account

PROFIT AND LOSS ACCOUNT, FIM millions	Ref.	STOCKMANN Jan.1-Dec. 31, 1999 FIM millions	% of net turnover	STOCKMANN Jan.1-Dec. 31, 1998 FIM millions	% of net turnover	STOCKMANN plc Jan.1-Dec. 31, 1999 FIM millions	% of net turnover	STOCKMANN plc Jan.1-Dec. 31, 1998 FIM millions	% of net turnover
NET TURNOVER	1	**7 845.9**	100.0	7 233.2	100.0	**5 756.3**	100.0	5 297.6	100.0
Other operating income	2	**193.0**	2.5	41.4	0.6	**242.4**	4.2	95.1	1.8
Raw materials and services									
Raw materials and consumables:	3								
Purchases during the financial year		**5 611.5**		5 204.0		**4 270.1**		3 928.2	
Variation in stocks, increase (-)		**-60.2**		-128.3		**-30.1**		-89.0	
Raw materials and services, total		**5 551.3**	70.8	5 075.7	70.2	**4 240.1**	73.7	3 839.2	72.5
Staff expenses	4	**992.1**	12.6	958.6	13.3	**779.5**	13.5	762.9	14.4
Depreciation and reduction in value	5	**158.6**	2.0	126.9	1.8	**115.5**	2.0	96.8	1.8
Other operating expenses	6	**850.6**	10.8	775.7	10.7	**486.6**	8.5	475.3	9.0
		7 552.7	96.3	6 936.9	95.9	**5 621.7**	97.7	5 174.2	97.7
OPERATING PROFIT		**486.2**	6.2	337.7	4.7	**377.0**	6.5	218.5	4.1
Financial income and expenses:									
Income from other investments held as non-current assets		**4.7**		4.6		**4.4**		4.4	
Interest and financial income from Group undertakings						**8.4**		6.0	
Interest and financial income from outside the Group	7	**69.6**		80.1		**65.9**		77.3	
Reduction in value of non-current investments	8							-55.7	
Reduction in value of securities held in current assets		**-1.1**				**-1.1**			
Interest and other financial expenses for Group undertakings						**-14.8**		-14.2	
Interest and other financial expenses outside the Group	9	**-43.8**		-58.3		**-48.0**		-89.4	
Financial income and expenses, total		**29.4**	0.4	26.4	0.4	**14.7**	0.3	-71.7	-1.4
PROFIT BEFORE EXTRAORDINARY ITEMS		**515.6**	6.6	364.0	5.0	**391.7**	6.8	146.8	2.8
Extraordinary items	10								
Extraordinary income						**3.3**		50.0	
Extraordinary expenses				-14.5				-14.5	
Extraordinary items, total				-14.5	-0.2	**3.3**	0.1	35.5	0.7
PROFIT BEFORE TAXES/		**515.6**	6.6	349.5	4.8				
PROFIT BEFORE APPROPRIATIONS AND TAXES						**395.0**	6.9	182.3	3.4
Appropriations	11					**110.1**	1.9	-17.7	-0.3
Income taxes	12,13								
For the financial year		**185.5**		75.9		**141.6**		46.3	
For previous financial years		**9.9**		-1.9		**5.8**		-2.1	
Change in deferred tax liability		**-28.4**		3.4					
Income taxes, total		**167.0**	2.1	77.4	1.1	**147.5**	2.6	44.3	0.8
Minority interest		**0.0**							
PROFIT FOR THE FINANCIAL YEAR		**348.5**	4.4	272.1	3.8	**357.6**	6.2	120.4	2.3

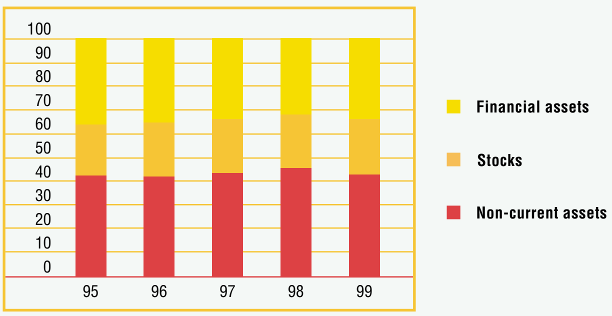
BALANCE SHEET

BALANCE SHEET, FIM millions		STOCKMANN		STOCKMANN plc	
ASSETS	Ref.	**Dec. 31, 1999 FIM millions**	Dec. 31, 1998 FIM millions	**Dec. 31, 1999 FIM millions**	Dec. 31, 1998 FIM millions
NON-CURRENT ASSETS					
Intangible assets	14				
Intangible rights		**44.6**	35.5	**29.8**	28.8
Goodwill arising on consolidation		**6.1**	8.9		
Goodwill		**1.3**	0.9	**1.7**	2.9
Other capitalized long-term expenses		**140.9**	131.1	**68.3**	64.2
Advance payments and projects in progress		**8.2**	7.9	**6.7**	6.4
Intangible assets, total		**201.1**	184.3	**106.5**	102.4
Tangible assets	15				
Land and water		**138.1**	166.4	**85.7**	80.7
Buildings and constructions		**992.8**	977.5	**881.8**	868.9
Machinery and equipment		**361.1**	355.3	**244.1**	263.9
Other tangible assets		**0.6**	0.6	**0.6**	0.6
Advance payments and construction in progress		**30.1**	49.6	**28.3**	37.4
Tangible assets, total		**1 522.7**	1 549.3	**1 240.5**	1 251.4
Investments	16				
Holdings in Group undertakings				**259.8**	274.8
Receivables from Group undertakings				**22.0**	22.0
Other shares and participations		**247.5**	298.1	**219.2**	269.9
Investments, total		**247.5**	298.1	**500.9**	566.7
NON-CURRENT ASSETS, TOTAL		**1 971.3**	2 031.8	**1 847.9**	1 920.5
CURRENT ASSETS					
Stocks					
Raw materials and consumables		**1 068.8**	1 008.5	**762.1**	732.1
Stocks, total		**1 068.8**	1 008.5	**762.1**	732.1
Non-current debtors	17				
Trade debtors		**6.5**	5.5	**6.5**	5.5
Loan receivables		**5.7**	11.3	**5.7**	11.3
Non-current debtors, total		**12.2**	16.8	**12.2**	16.8
Current debtors	18				
Trade debtors		**911.2**	870.9	**547.6**	517.3
Amounts owed by Group undertakings				**317.1**	289.8
Loan receivables		**0.7**	0.4		
Other debtors		**68.0**	102.1	**51.4**	73.7
Prepayments and accrued income	19	**60.0**	57.4	**42.3**	97.3
Current debtors, total		**1 039.9**	1 030.9	**958.5**	978.0
Debtors, total		**1 052.1**	1 047.7	**970.7**	994.8
Securities held in current assets	20				
Bonds and other promissory notes		**436.8**	332.7	**436.8**	332.7
Securities held in current assets, total		**436.8**	332.7	**436.8**	332.7
Cash in hand and at banks		**70.7**	50.2	**39.0**	25.5
CURRENT ASSETS, TOTAL		**2 628.4**	2 439.1	**2 208.7**	2 085.0
TOTAL		**4 599.7**	4 470.9	**4 056.6**	4 005.5

Assets, FIM millions



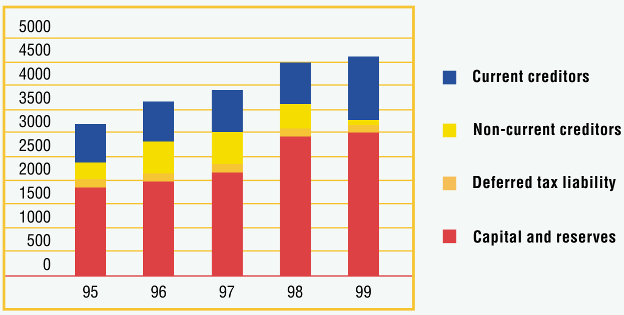
Assets, %



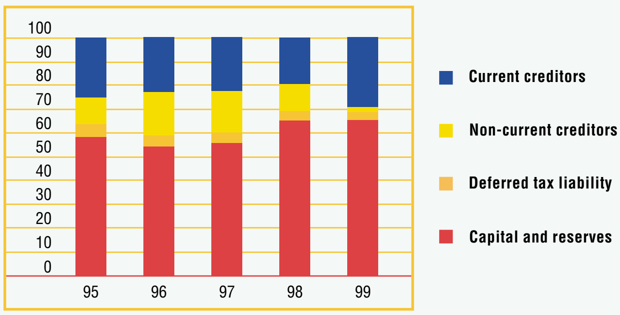
BALANCE SHEET

BALANCE SHEET, FIM millions		STOCKMANN		STOCKMANN plc	
LIABILITIES	Ref.	**Dec. 31, 1999 FIM millions**	Dec. 31, 1998 FIM millions	**Dec. 31, 1999 FIM millions**	Dec. 31, 1998 FIM millions
CAPITAL AND RESERVES	21,22				
Share capital		**513.8**	513.8	**513.8**	513.8
Premium fund		**888.7**	888.7	**888.7**	888.7
Reserve fund		**0.6**	8.8		
Other funds		**260.0**	260.0	**260.0**	260.0
Retained earnings		**989.6**	966.7	**26.6**	163.6
Net profit for the financial year		**348.5**	272.1	**357.6**	120.4
CAPITAL AND RESERVES, TOTAL		**3 001.3**	2 910.2	**2 046.7**	1 946.5
MINORITY INTEREST		**1.0**			
ACCUMULATED APPROPRIATIONS					
Depreciation reserve				**434.6**	544.7
CREDITORS	24-26				
Deferred tax liability		**147.4**	175.8		
Non-current creditors					
Bonds and notes			300.0		300.0
Loans from credit institutions		**98.8**	80.1	**98.8**	80.1
Pension loans		**9.0**	131.3	**9.0**	101.9
Other creditors			0.3		0.4
Non-current creditors, total		**107.8**	511.8	**107.8**	482.4
Current creditors					
Bonds and notes		**300.0**		**300.0**	
Loans from credit institutions		**19.3**	11.6	**19.3**	0.7
Pension loans		**1.5**	14.6	**1.5**	12.4
Trade creditors		**549.7**	442.7	**426.4**	357.2
Amounts owed to Group undertakings				**320.8**	324.5
Other creditors		**238.2**	199.5	**214.3**	182.7
Accruals and prepaid income		**233.4**	204.7	**185.1**	154.4
Current creditors, total		**1 342.1**	873.1	**1 467.5**	1 031.9
CREDITORS, TOTAL		**1 597.4**	1 560.7	**1 575.3**	1 514.3
TOTAL		**4 599.7**	4 470.9	**4 056.6**	4 005.5
Distributable funds		**1 237.2**	1 046.7	**644.2**	544.0

Financing, FIM millions



Financing, %



FUNDS STATEMENT

FUNDS STATEMENT, FIM millions	STOCKMANN		STOCKMANN plc	
	1999 FIM millions	1998 FIM millions	**1999 FIM millions**	1998 FIM millions
CASH FLOW FROM OPERATIONS				
Payments from sales	**7 860.4**	7 290.5	**5 772.8**	5 396.4
Payments from other operating income	**193.0**	41.4	**242.4**	95.1
Payments for operating expenses	**-7 257.5**	-7 033.4	**-5 543.3**	-5 305.3
Cash flow from operations before financial items and taxes	**795.8**	298.5	**471.9**	186.1
Paid interest and payments for other operating financial expenses	**-180.5**	-67.2	**-74.3**	-113.0
Interest received from operations	**78.1**	80.4	**80.4**	84.0
Direct taxes paid	**-85.7**	-158.8	**-43.2**	-103.5
Cash flow before extraordinary items	**607.7**	152.9	**434.8**	53.7
Cash flow from operational extraordinary items (net)			**50.0**	
CASH FLOW FROM OPERATIONS (A)	**607.7**	152.9	**484.8**	53.7
CASH FLOW INTO AND FROM INVESTMENTS				
Capital expenditures on tangible and intangible assets	**-370.1**	-445.8	**-291.5**	-302.9
Cash from tangible and intangible assets	**198.6**	8.8	**194.9**	8.8
Capital expenditures on other investments	**-35.5**	-32.3	**-36.6**	-61.2
Cash from other investments	**51.3**	15.9	**51.3**	15.9
Group companies acquired		-12.0		-12.0
Group companies divested	**35.8**		**35.8**	
Dividends from investments	**3.5**	4.7	**3.1**	4.5
CASH FLOW INTO AND FROM INVESTMENTS (B)	**-116.4**	-460.7	**-43.0**	-347.0
FINANCING CASH FLOW				
Change in loans granted, decrease (+)	**5.4**	0.3	**5.5**	1.0
Rights issue		607.3		607.3
Change in short-term loans, increase (-), decrease (+)	**-16.6**	5.6	**-5.8**	-8.1
Long-term loans drawn down	**53.2**	15.5	**53.2**	15.5
Repayments of long-term loans	**-151.3**	-188.4	**-119.6**	-186.1
Dividend paid and other distribution of profits	**-257.4**	-130.4	**-257.4**	-130.4
FINANCING CASH FLOW (C)	**-366.7**	309.9	**-324.1**	299.2
Change in cash funds (A+B+C) increase (+)	**124.6**	2.1	**117.7**	5.9
Cash funds at start of the financial year	**382.9**	380.8	**358.1**	352.2
Cash funds at end of the financial year	**507.5**	382.9	**475.8**	358.1

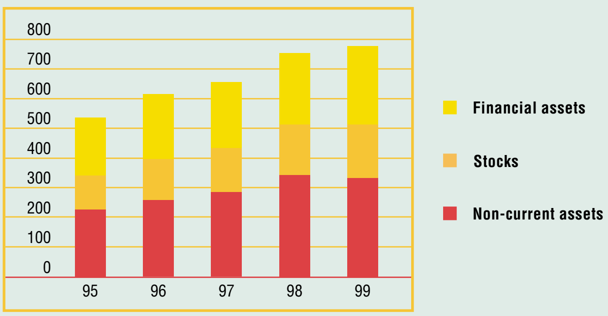
PROFIT AND LOSS ACCOUNT

PROFIT AND LOSS ACCOUNT, EUR millions		STOCKMANN				STOCKMANN plc			
	Ref.	**Jan.1- Dec. 31, 1999 EUR millions**	% of net turnover	Jan.1- Dec. 31, 1998 EUR millions	% of net turnover	**Jan.1- Dec. 31, 1999 EUR millions**	% of net turnover	Jan.1- Dec. 31, 1998 EUR millions	% of net turnover
NET TURNOVER	1	**1 319.6**	100.0	1 216.5	100.0	**968.1**	100.0	891.0	100.0
Other operating income	2	**32.5**	2.5	7.0	0.6	**40.8**	4.2	16.0	1.8
Raw materials and services									
Raw materials and consumables:	3								
Purchases during the financial year		**943.8**		875.3		**718.2**		660.7	
Variation in stocks, increase (-)		**-10.1**		-21.6		**-5.1**		-15.0	
Raw materials and services, total		**933.7**	70.8	853.7	70.2	**713.1**	73.7	645.7	72.5
Staff expenses	4	**166.9**	12.6	161.2	13.3	**131.1**	13.5	128.3	14.4
Depreciation and reduction in value	5	**26.7**	2.0	21.3	1.8	**19.4**	2.0	16.3	1.8
Other operating expenses	6	**143.1**	10.8	130.5	10.7	**81.8**	8.5	79.9	9.0
		1 270.3	96.3	1 166.7	95.9	**945.5**	97.7	870.2	97.7
OPERATING PROFIT		**81.8**	6.2	56.8	4.7	**63.4**	6.5	36.8	4.1
Financial income and expenses:									
Income from other investments held as non-current assets		**0.8**		0.8		**0.7**		0.7	
Interest and financial income from Group undertakings						**1.4**		1.0	
Interest and financial income from outside the Group	7	**11.7**		13.5		**11.1**		13.0	
Reduction in value of non-current investments	8							-9.4	
Reduction in value of securities held in current assets		**-0.2**				**-0.2**			
Interest and other financial expenses for Group undertakings						**-2.5**		-2.4	
Interest and other financial expenses outside the Group	9	**-7.4**		-9.8		**-8.1**		-15.0	
Financial income and expenses, total		**4.9**	0.4	4.4	0.4	**2.5**	0.3	-12.1	-1.4
PROFIT BEFORE EXTRAORDINARY ITEMS		**86.7**	6.6	61.2	5.0	**65.9**	6.8	24.7	2.8
Extraordinary items	10								
Extraordinary income						**0.6**		8.4	
Extraordinary expenses				-2.4				-2.4	
Extraordinary items, total				-2.4	-0.2	**0.6**	0.1	6.0	0.7
PROFIT BEFORE TAXES/		**86.7**	6.6	58.8	4.8				
PROFIT BEFORE APPROPRIATIONS AND TAXES						**66.4**	6.9	30.7	3.4
Appropriations	11					**18.5**	1.9	-3.0	-0.3
Income taxes	12,13								
For the financial year		**31.2**		12.8		**23.8**		7.8	
For previous financial years		**1.7**		-0.3		**1.0**		-0.3	
Change in deferred tax liability		**-4.8**		0.6					
Income taxes, total		**28.1**	2.1	13.0	1.1	**24.8**	2.6	7.4	0.8
Minority interest		**0.0**							
PROFIT FOR THE FINANCIAL YEAR		**58.6**	4.4	45.8	3.8	**60.1**	6.2	20.2	2.3

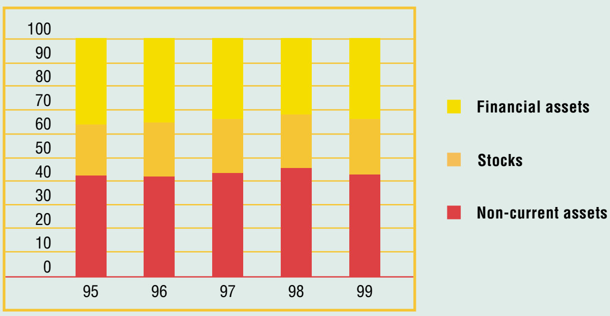
Balance Sheet

BALANCE SHEET, EUR millions		STOCKMANN		STOCKMANN plc	
ASSETS	Ref.	**Dec. 31, 1999 EUR millions**	Dec. 31, 1998 EUR millions	**Dec. 31, 1999 EUR millions**	Dec. 31, 1998 EUR millions
NON-CURRENT ASSETS					
Intangible assets	14				
Intangible rights		**7.5**	6.0	**5.0**	4.8
Goodwill arising on consolidation		**1.0**	1.5		
Goodwill		**0.2**	0.1	**0.3**	0.5
Other capitalized long-term expenses		**23.7**	22.1	**11.5**	10.8
Advance payments and projects in progress		**1.4**	1.3	**1.1**	1.1
Intangible assets, total		**33.8**	31.0	**17.9**	17.2
Tangible assets	15				
Land and water		**23.2**	28.0	**14.4**	13.6
Buildings and constructions		**167.0**	164.4	**148.3**	146.1
Machinery and equipment		**60.7**	59.8	**41.0**	44.4
Other tangible assets		**0.1**	0.1	**0.1**	0.1
Advance payments and construction in progress		**5.1**	8.3	**4.8**	6.3
Tangible assets, total		**256.1**	260.6	**208.6**	210.5
Investments	16				
Holdings in Group undertakings				**43.7**	46.2
Receivables from Group undertakings				**3.7**	3.7
Other shares and participations		**41.6**	50.1	**36.9**	45.4
Investments, total		**41.6**	50.1	**84.3**	95.3
NON-CURRENT ASSETS, TOTAL		**331.6**	341.7	**310.8**	323.0
CURRENT ASSETS					
Stocks					
Raw materials and consumables		**179.8**	169.6	**128.2**	123.1
Stocks, total		**179.8**	169.6	**128.2**	123.1
Non-current debtors	17				
Trade debtors		**1.1**	0.9	**1.1**	0.9
Loan receivables		**1.0**	1.9	**1.0**	1.9
Non-current debtors, total		**2.1**	2.8	**2.1**	2.8
Current debtors	18				
Trade debtors		**153.3**	146.5	**92.1**	87.0
Amounts owed by Group undertakings				**53.3**	48.7
Loan receivables		**0.1**	0.1		
Other debtors		**11.4**	17.2	**8.7**	12.4
Prepayments and accrued income	19	**10.1**	9.7	**7.1**	16.4
Current debtors, total		**174.9**	173.4	**161.2**	164.5
Debtors, total		**177.0**	176.2	**163.3**	167.3
Securities held in current assets	20				
Bonds and other promissory notes		**73.5**	55.9	**73.5**	55.9
Securities held in current assets, total		**73.5**	55.9	**73.5**	55.9
Cash in hand and at banks		**11.9**	8.4	**6.6**	4.3
CURRENT ASSETS, TOTAL		**442.1**	410.2	**371.5**	350.7
TOTAL		**773.6**	752.0	**682.3**	673.7

Assets, EUR millions



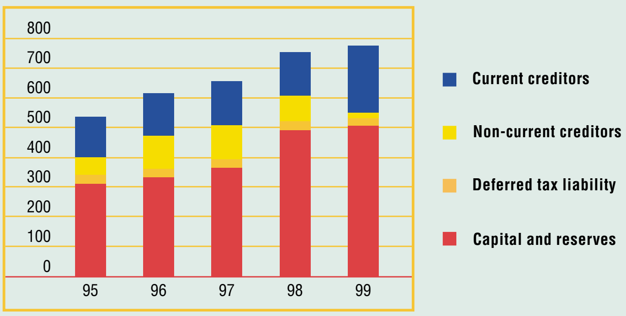
Assets, %



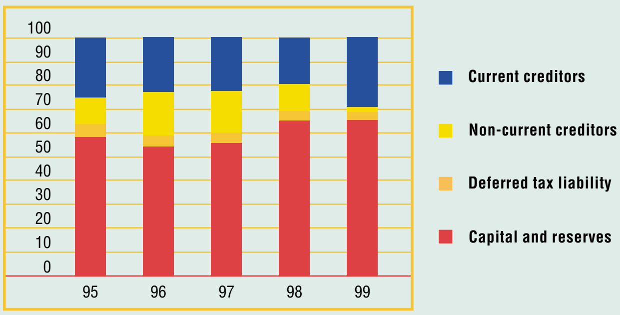
BALANCE SHEET

BALANCE SHEET, EUR millions		STOCKMANN		STOCKMANN plc	
LIABILITIES	Ref.	**Dec. 31, 1999 EUR millions**	Dec. 31, 1998 EUR millions	**Dec. 31, 1999 EUR millions**	Dec. 31, 1998 EUR millions
CAPITAL AND RESERVES	21,22				
Share capital		**86.4**	86.4	**86.4**	86.4
Premium fund		**149.5**	149.5	**149.5**	149.5
Reserve fund		**0.1**	1.5		
Other funds		**43.7**	43.7	**43.7**	43.7
Retained earnings		**166.4**	162.6	**4.5**	27.5
Net profit for the financial year		**58.6**	45.8	**60.1**	20.2
CAPITAL AND RESERVES, TOTAL		**504.8**	489.5	**344.2**	327.4
MINORITY INTEREST		**0.2**			
ACCUMULATED APPROPRIATIONS					
Depreciation reserve				**73.1**	91.6
CREDITORS	24-26				
Deferred tax liability		**24.8**	29.6		
Non-current creditors					
Bonds and notes			50.5		50.5
Loans from credit institutions		**16.6**	13.5	**16.6**	13.5
Pension loans		**1.5**	22.1	**1.5**	17.1
Other creditors			0.1		0.1
Non-current creditors, total		**18.1**	86.1	**18.1**	81.1
Current creditors					
Bonds and notes		**50.5**		**50.5**	
Loans from credit institutions		**3.3**	2.0	**3.3**	0.1
Pension loans		**0.3**	2.5	**0.3**	2.1
Trade creditors		**92.5**	74.5	**71.7**	60.1
Amounts owed to Group undertakings				**54.0**	54.6
Other creditors		**40.1**	33.5	**36.0**	30.7
Accruals and prepaid income		**39.3**	34.4	**31.1**	26.0
Current creditors, total		**225.7**	146.8	**246.8**	173.6
CREDITORS, TOTAL		**268.7**	262.5	**264.9**	254.7
TOTAL		**773.6**	752.0	**682.3**	673.7
Distributable funds		**208.1**	176.1	**108.3**	91.5

Financing, EUR millions



Financing, %



FUNDS STATEMENT

FUNDS STATEMENT, EUR millions	STOCKMANN		STOCKMANN plc	
	1999 EUR millions	1998 EUR millions	**1999 EUR millions**	1998 EUR millions
CASH FLOW FROM OPERATIONS				
Payments from sales	**1 322.0**	1 226.2	**970.9**	907.6
Payments from other operating income	**32.5**	7.0	**40.8**	16.0
Payments for operating expenses	**-1 220.6**	-1 182.9	**-932.3**	-892.3
Cash flow from operations before financial items and taxes	**133.8**	50.2	**79.4**	31.3
Paid interest and payments for other operating financial expenses	**-30.4**	-11.3	**-12.5**	-19.0
Interest received from operations	**13.1**	13.5	**13.5**	14.1
Direct taxes paid	**-14.4**	-26.7	**-7.3**	-17.4
Cash flow before extraordinary items	**102.2**	25.7	**73.1**	9.0
Cash flow from operational extraordinary items (net)			**8.4**	
CASH FLOW FROM OPERATIONS (A)	**102.2**	25.7	**81.5**	9.0
CASH FLOW INTO AND FROM INVESTMENTS				
Capital expenditures on tangible and intangible assets	**-62.2**	-75.0	**-49.0**	-50.9
Cash from tangible and intangible assets	**33.4**	1.5	**32.8**	1.5
Capital expenditures on other investments	**-6.0**	-5.4	**-6.2**	-10.3
Cash from other investments	**8.6**	2.7	**8.6**	2.7
Group companies acquired		-2.0		-2.0
Group companies divested	**6.0**		**6.0**	
Dividends from investments	**0.6**	0.8	**0.5**	0.8
CASH FLOW INTO AND FROM INVESTMENTS (B)	**-19.6**	-77.5	**-7.2**	-58.4
FINANCING CASH FLOW				
Change in loans granted, decrease (+)	**0.9**	0.1	**0.9**	0.2
Rights issue		102.1		102.1
Change in short-term loans, increase (-), decrease (+)	**-2.8**	0.9	**-1.0**	-1.4
Long-term loans drawn down	**8.9**	2.6	**8.9**	2.6
Repayments of long-term loans	**-25.4**	-31.7	**-20.1**	-31.3
Dividend paid and other distribution of profits	**-43.3**	-21.9	**-43.3**	-21.9
FINANCING CASH FLOW (C)	**-61.7**	52.1	**-54.5**	50.3
Change in cash funds (A+B+C) increase (+)	**21.0**	0.3	**19.8**	1.0
Cash funds at start of the financial year	**64.4**	64.0	**60.2**	59.2
Cash funds at end of the financial year	**85.3**	64.4	**80.0**	60.2

ACCOUNTING POLICY

General principles
Stockmann's annual accounts have been prepared in accordance with the regulations of the Finnish Accounting Act which came into force on December 31, 1997.

Scope of the consolidated accounts
The consolidated accounts cover the parent company STOCKMANN plc 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, at least 80 per cent of the voting rights conferred by the shares. The companies acquired during the year have been included in the consolidation from the time of acquisition.

Mutual real-estate management companies in which the Group has an interest of more than 20 per cent have not been treated as associated undertakings, nor do other associated undertakings belong to the Group.

Internal transactions
Transactions as well as debtors and creditors between Group companies have been eliminated.

Shares in subsidiaries
Shareholdings between Group companies have been eliminated by the purchase cost method. In carrying out eliminations, the acquired company's provisions at the time of acquisition excluding deferred tax liability are also considered to constitute the company's capital and reserves.

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 years.

Subsidiaries abroad
The consolidated accounts figures of foreign subsidiaries have been translated into Finnish markka amounts at the middle rate quoted by the Bank of Finland on the balance sheet date. The translation differences arising on the elimination of the capital and reserves of subsidiaries have been entered in capital and reserves. The annual account 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 commercial banks at the time of acquisition and the other balance sheet items at the average rate quoted by commercial banks on the balance sheet date and, furthermore, the profit and loss account is translated at the average monthly rate on a month-by-month basis.

Foreign currency-denominated debtors and creditors
Foreign currency-denominated debtors and creditors are valued according to the middle 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 or Other financial expenses.

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

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

Extraordinary income and expenses
The items stated as extraordinary income and expenses are non-recurring income and expenses that are not a part of ordinary operations.

Taxes
The direct taxes entered in the profit and loss account are the taxes corresponding to Group companies' net profits for the financial year as well as rectifications of taxes for previous financial years.

In the consolidated accounts the deferred tax liability is calculated for all the periodization differences between the annual accounts and taxation, applying the tax base for the next year, which has been confirmed at the balance sheet date.

Deferred tax liability is included in its entirety in the consolidated balance sheet.

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

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

– Intangible assets: 5 years
– Goodwill and goodwill arising on consolidation: 5 years
– Other capitalized long-term expenses: 5-10 years
– Buildings: 20-50 years
– Machinery and equipment: 7-12 years
– Lightweight store furnishings, motor vehicles and data processing equipment: 5 years

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

Current assets
Securities included in financial assets are valued at acquisition cost or, if their value is lower, at this lower value.

In the valuation of stocks the principle of lowest value has been used, i.e. the stocks have been entered in the balance sheet at the lowest of acquisition cost or a lower repurchase price or the probable market price. The acquisition cost of stocks has been defined applying the variable expenses incurred in making the purchase in accordance with the FiFo principle.

Appropriations
The parent company's appropriations comprise the depreciation difference. The change in deferred tax liability resulting from the change in appropriations has been stated in taxes in the consolidated accounts. Accumulated appropriations in the consolidated accounts are divided into a portion in deferred tax liability and a portion in capital and reserves.

NOTES TO THE PROFIT AND LOSS ACCOUNT	STOCKMANN 1999	1998	STOCKMANN plc 1999	1998
1. Net turnover				
Breakdown of net turnover by market area				
FIM millions				
Finland	**7 282.2**	6 727.0	**5 756.3**	5 297.6
Estonia	**303.2**	320.0		
Russia	**260.4**	186.1		
Total	**7 845.9**	7 233.2	**5 756.3**	5 297.6
2. Other operating income				
FIM millions				
Gains on the sale of non-current assets		21.4		21.4
Goodwill-compensation		20.0		20.0
Capital gain on the divestment of Sesto	**193.0**		**193.0**	
Rental income from subsidiaries			**17.2**	10.4
Compensation for expenses, invoiced to Group companies			**32.2**	43.3
Total	**193.0**	41.4	**242.4**	95.1
3. Gross margin				
FIM millions				
Net turnover	**7 845.9**	7 233.2	**5 756.3**	5 297.6
Raw materials and consumables	**5 611.5**	5 204.0	**4 270.1**	3 928.2
Variation in stocks	**-60.2**	-128.3	**-30.1**	-89.0
Gross profit	**2 294.6**	2 157.5	**1 516.2**	1 458.5
Gross profit/net turnover (%)	**29.2**	29.8	**26.3**	27.5
4. Staff expenses				
FIM millions				
Salaries and emoluments paid to the boards of directors and managing directors	**4.5**	4.1	**2.4**	2.4
Other staff wages and salaries	**787.5**	739.1	**623.2**	590.5
Wages during sick leave	**20.1**	18.3	**15.4**	13.5
Pension expenses	**98.2**	112.2	**74.3**	88.1
Other staff costs	**81.7**	84.9	**64.2**	68.5
Total	**992.1**	958.6	**779.5**	762.9
Group and parent company staff, average				
Finland	**6 977**	6 530	**5 648**	5 322
Estonia	**384**	363	**4**	6
Russia	**680**	468	**9**	10
Total	**8 041**	7 361	**5 661**	5 338
Age breakdown of staff				
%				
Under 24 years old	**23.0**	22.8	**21.7**	22.4
25-34 years old	**32.3**	33.7	**32.2**	33.5
35-44 years old	**18.5**	16.9	**17.9**	16.0
45-54 years old	**16.1**	16.8	**16.9**	17.4
55-65 years old	**10.1**	9.8	**11.3**	10.7
Total	**100.0**	100.0	**100.0**	100.0
Loans to persons closely associated with the company				
FIM millions				
Loans granted to the managing directors and members of the boards of directors	**1.2**	1.4	**1.2**	1.4

The maturities are 6-7 years. The interest rate on the loans is tied to the market interest rate.

Management pension liabilities

The agreed retirement age for Group company managing directors is 60-65 years.
The agreed retirement age for the parent company managing director is 60 years.

NOTES TO THE PROFIT AND LOSS ACCOUNT	STOCKMANN 1999	STOCKMANN 1998	STOCKMANN plc 1999	STOCKMANN plc 1998
5. Depreciation and reduction in value				
FIM millions				
Intangible rights	**12.0**	13.6	**10.9**	12.9
Goodwill arising on consolidation	**2.8**	2.6		
Goodwill	**0.2**	0.0	**1.3**	1.3
Other capitalized long-term expenses	**20.1**	11.6	**10.3**	7.3
Buildings and constructions	**29.1**	23.7	**23.5**	19.0
Machinery and equipment	**94.3**	75.4	**69.6**	56.3
Total	**158.6**	126.9	**115.5**	96.8
6. Other operating expenses				
FIM millions				
Site expenses	**358.3**	313.8	**245.8**	224.8
Marketing expenses	**197.7**	189.2	**78.5**	83.0
Goods handling expenses	**88.1**	80.4	**30.8**	28.1
Credit losses	**9.5**	10.6	**0.3**	1.9
Voluntary staff costs	**21.1**	20.8	**14.9**	15.7
Other costs	**175.9**	161.0	**116.2**	121.7
Total	**850.6**	775.7	**486.6**	475.3
7. Interest and financial income from outside the Group				
FIM millions				
From interest-bearing trade debtors	**53.9**	51.3	**53.9**	51.3
Other	**15.6**	28.8	**11.9**	26.0
Total	**69.6**	80.1	**65.9**	77.3
8. Write-downs on investments				
FIM millions				
Reductions in value of non-current investments				
Shares in ZAO Kalinka-Stockmann				55.7
Total				55.7
9. Interest and other financial expenses outside the Group				
FIM millions				
Foreign exchange losses on International Operations of the Department Store Division	**4.3**	5.6	**9.6**	40.1
Other foreign exchange gains and losses (net)	**-1.3**	2.5	**-1.3**	2.5
Other interest and financial expenses paid to parties outside the Group	**40.9**	50.2	**39.8**	46.8
Total	**43.8**	58.3	**48.0**	89.4
10. Extraordinary items				
FIM millions				
Extraordinary income				
Group contribution			**3.3**	50.0
Extraordinary expenses				
Reduction in the value of shares in Polar Corporation		-14.5		-14.5
Total		-14.5	**3.3**	35.5
11. Appropriations				
FIM millions				
Change in depreciation reserve				
Intangible rights			**0.6**	0.0
Other capitalized long-term expenses			**0.5**	3.0
Buildings and constructions			**93.2**	-13.1
Machinery and equipment			**15.7**	-7.6
Total			**110.1**	-17.7

NOTES TO THE PROFIT AND LOSS ACCOUNT	STOCKMANN 1999	STOCKMANN 1998	STOCKMANN plc 1999	STOCKMANN plc 1998
12. Income taxes				
FIM millions				
Income taxes on ordinary operations for the financial year	**185.5**	79.9	**110.8**	41.3
Income taxes on extraordinary items		-4.1		10.0
Income taxes on ordinary operations from previous financial years	**9.9**	-1.9	**5.8**	-2.1
Change in deferred tax liability	**-28.4**	3.4		
Tax payable on appropriations			**30.8**	-5.0
Total	**167.0**	77.4	**147.5**	44.3
13. Surplus taxes*				
FIM millions	**1998**	1997	**1998**	1997
Unused surplus taxes	**189.8**	217.5	**0.0**	55.6

*) Aggregate of assessed corporate taxes in excess of tax payable on distribution of dividends, which can be used to set off the tax liability based on future distribution of dividends.

NOTES TO THE BALANCE SHEET	STOCKMANN 1999	STOCKMANN 1998	STOCKMANN plc 1999	STOCKMANN plc 1998
Non-current assets				
14. Intangible assets				
FIM millions				
Intangible rights				
Acquisition cost Jan. 1	**87.2**	68.2	**78.1**	60.5
Increases Jan. 1-Dec. 31	**38.3**	19.3	**28.4**	17.6
Decreases Jan. 1-Dec. 31	**-19.2**	-0.2	**-18.5**	0.0
Acquisition cost Dec. 31	**106.3**	87.2	**88.1**	78.1
Accumulated depreciation Jan. 1	**51.7**	37.9	**49.3**	36.4
Depreciation for the financial year	**12.0**	13.7	**10.9**	12.9
Accumulated depreciation on reductions Jan. 1-Dec. 31	**-2.0**		**-2.0**	
Accumulated depreciation Dec. 31	**61.8**	51.7	**58.2**	49.3
Book value Dec. 31	**44.6**	35.5	**29.8**	28.8
Goodwill arising on consolidation				
Acquisition cost Jan. 1	**14.1**	10.6		
Increases Jan. 1-Dec. 31		4.5		
Decreases Jan. 1-Dec. 31		-1.0		
Acquisition cost Dec. 31	**14.1**	14.1		
Accumulated depreciation Jan. 1	**5.2**	2.7		
Depreciation for the financial year	**2.8**	2.5		
Accumulated depreciation Dec. 31	**8.0**	5.2		
Book value Dec. 31	**6.1**	8.9		
Goodwill				
Acquisition cost Jan. 1	**0.9**		**6.3**	6.3
Increases Jan. 1-Dec. 31	**0.7**	0.9		
Acquisition cost Dec. 31	**1.6**	0.9	**6.3**	6.3
Accumulated depreciation Jan. 1	**0.0**		**3.3**	2.1
Depreciation for the financial year	**0.2**	0.0	**1.3**	1.3
Accumulated depreciation Dec. 31	**0.3**	0.0	**4.6**	3.3
Book value Dec. 31	**1.3**	0.9	**1.7**	2.9
Other capitalized long-term expenses				
Acquisition cost Jan. 1	**169.6**	116.8	**93.2**	99.0
Increases Jan. 1-Dec. 31	**32.3**	72.4	**17.0**	13.8
Decreases Jan. 1-Dec. 31	**-10.7**	-19.6	**-10.9**	-19.5
Acquisition cost Dec. 31	**191.2**	169.6	**99.3**	93.2
Accumulated depreciation Jan. 1	**38.5**	28.2	**29.0**	21.6
Depreciation for the financial year	**20.1**	10.2	**10.3**	7.3
Accumulated depreciation on reductions Jan. 1-Dec. 31	**-8.3**		**-8.3**	
Accumulated depreciation Dec. 31	**50.3**	38.5	**31.0**	29.0
Book value Dec. 31	**140.9**	131.1	**68.3**	64.2

NOTES TO THE BALANCE SHEET	STOCKMANN 1999	1998	STOCKMANN plc 1999	1998
FIM millions				
Advance payments and projects in progress				
Acquisition cost Jan. 1	**7.9**	5.7	**6.4**	4.9
Increases Jan. 1-Dec. 31	**8.2**	7.8	**6.7**	6.4
Transfers between items	**-7.9**	-5.7	**-6.4**	-4.9
Book value Dec. 31	**8.2**	7.9	**6.7**	6.4
Intangible assets, total	**201.1**	184.3	**106.5**	102.4

15. Tangible assets

FIM millions	STOCKMANN 1999	1998	STOCKMANN plc 1999	1998
Land and water				
Acquisition cost Jan. 1	**131.4**	98.6	**45.6**	20.8
Increases Jan. 1-Dec. 31	**5.6**	32.8	**5.0**	24.9
Decreases Jan. 1-Dec. 31	**-33.9**			
Acquisition cost Dec. 31	**103.0**	131.4	**50.7**	45.6
Revaluations Jan. 1 and Dec. 31	**35.1**	35.1	**35.1**	35.1
Book value Dec. 31	**138.1**	166.4	**85.7**	80.7
Buildings and constructions				
Acquisition cost Jan. 1	**999.8**	837.7	**857.9**	713.3
Increases Jan. 1-Dec. 31	**160.2**	165.6	**151.9**	146.4
Decreases Jan. 1-Dec. 31	**-130.3**	-3.5	**-130.0**	-1.7
Acquisition cost Dec. 31	**1 029.7**	999.8	**879.8**	857.9
Accumulated depreciation Jan. 1	**180.1**	156.7	**146.8**	127.8
Depreciation for the financial year	**29.1**	23.3	**23.5**	19.0
Accumulated depreciation on reductions Jan. 1-Dec. 31	**-14.6**		**-14.6**	
Accumulated depreciation Dec. 31	**194.6**	180.1	**155.7**	146.8
Revaluations Jan. 1 and Dec. 31	**157.7**	157.7	**157.7**	157.7
Book value Dec. 31	**992.8**	977.5	**881.8**	868.9
Machinery and equipment				
Acquisition cost Jan. 1	**746.3**	618.1	**583.0**	493.1
Increases Jan. 1-Dec. 31	**162.6**	141.3	**113.5**	97.8
Decreases Jan. 1-Dec. 31	**-142.5**	-13.1	**-143.7**	-7.9
Acquisition cost Dec. 31	**766.4**	746.3	**552.7**	583.0
Accumulated depreciation Jan. 1	**391.0**	315.9	**319.1**	262.7
Depreciation for the financial year	**94.3**	75.1	**69.6**	56.3
Accumulated depreciation on reductions Jan. 1-Dec. 31	**-80.0**		**-80.0**	
Accumulated depreciation Dec. 31	**405.3**	391.0	**308.7**	319.1
Book value Dec. 31	**361.1**	355.3	**244.1**	263.9
Other tangible assets				
Acquisition cost Jan. 1	**0.6**	0.3	**0.6**	0.3
Increases Jan. 1-Dec. 31		0.3		0.3
Decreases Jan. 1-Dec. 31	**0.0**		**0.0**	
Acquisition cost Dec. 31	**0.6**	0.6	**0.6**	0.6
Book value Dec. 31	**0.6**	0.6	**0.6**	0.6
Advance payments and construction in progress				
Acquisition cost Jan. 1	**49.6**	40.8	**37.4**	39.9
Increases Jan. 1-Dec. 31	**30.1**	49.8	**28.3**	37.4
Transfers between items	**-49.6**	-41.1	**-37.4**	-39.9
Acquisition cost Dec. 31	**30.1**	49.6	**28.3**	37.4
Book value Dec. 31	**30.1**	49.6	**28.3**	37.4
Tangible assets, total	**1 522.7**	1 549.3	**1 240.5**	1 251.4

Revaluations included in balance sheet values

FIM millions	STOCKMANN 1999	1998	STOCKMANN plc 1999	1998
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

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

NOTES TO THE BALANCE SHEET	STOCKMANN 1998	STOCKMANN 1997	STOCKMANN plc 1998	STOCKMANN plc 1997
Taxation and fire insurance values				
FIM millions				
Taxation values				
Land and water	**396.8**	384.3	**378.5**	358.1
Shares in subsidiaries			**547.5**	434.7
Other shares	**121.5**	190.6	**105.4**	177.7
Buildings				
Taxation values	**203.7**	213.4	**155.9**	161.7
Fire insurance values	**1 728.9**	1 892.5	**1 471.9**	1 548.0

If the taxation value has not been available, the book value has been given.

16. Investments

FIM millions	STOCKMANN 1999	STOCKMANN 1998	STOCKMANN plc 1999	STOCKMANN plc 1998
Holdings in Group undertakings				
Acquisition cost Jan. 1			**274.8**	297.1
Increases Jan. 1-Dec. 31			**0.1**	35.7
Decreases Jan. 1-Dec. 31			**-15.1**	-2.3
Reductions in value Jan. 1- Dec. 31				-55.7
Book value Dec. 31			**259.8**	274.8
Receivables from Group undertakings				
Book value Jan. 1 and Dec. 31			**22.0**	22.0
Other shares and participations				
Acquisition cost Jan. 1	**298.1**	251.2	**269.9**	227.6
Increases Jan. 1-Dec. 31	**0.6**	77.8	**0.6**	73.1
Decreases Jan. 1-Dec. 31	**-51.3**	-16.4	**-51.3**	-16.3
Reductions in value Jan. 1- Dec. 31		-14.5		-14.5
Book value Dec. 31	**247.5**	298.1	**219.2**	269.9
Investments, total	**247.5**	298.1	**500.9**	566.7

Shares and participations

Group undertakings

Parent company holdings	Number	Shareholding, %	Voting rights, %	Currency	Par value in given currency/mill.	Book value, FIM millions	Shareholders' equity FIM millions
ZAO Kalinka-Stockmann, Moscow	583 450	100	100	RUR	58.3	21.2	-4.5
ZAO Stockmann-Krasnoselskaya, Moscow	100	100	100	RUR	0.1	0.0	0.0
Auto-Oriketo Oy, Turku	40 000	100	100	FIM	4.0	4.6	4.4
Espoon Autotalo Oy, Espoo	300	100	100	FIM	0.1	2.7	0.2
Tikkurilan Autocenter Oy, Helsinki	4 000	100	100	FIM	4.0	4.7	3.8
Kambrium Oy, Vantaa	50	100	100	FIM	0.1	1.3	0.1
Kiinteistö Oy Friisinkeskus, Espoo	1 900	97	97	FIM	0.1	3.6	4.4
Kiinteistö Oy Hgin Valurinkatu 1, Helsinki	100	100	100	FIM	0.1	0.1	0.1
Kiinteistö Oy Luistelijanvuori, Vantaa	72	100	100	FIM	0.1	7.2	1.1
Kiinteistö Oy Muuntajankatu 4, Helsinki	50	100	100	FIM	0.1	19.5	13.0
Kiinteistö Oy Stävö, Helsinki	50	100	100	FIM	0.1	0.1	0.0
Kiinteistö Oy Vantaan Kiitoradantie 2, Vantaa	100	100	100	FIM	0.1	0.1	0.1
Kiinteistö Oy Vantaan Rasti, Vantaa	388	100	100	FIM	3.0	29.3	26.4
Kiinteistö Oy Vantaan Valimotie, Vantaa	400 000	80	80	FIM	4.0	4.0	4.9
Oy Hobby Hall Ab, Helsinki	120 000	100	100	FIM	60.0	111.8	337.7
Oy Hullut Päivät-Galna Dagarna Ab, Helsinki	40	100	100	FIM	0.1	0.1	0.1
Oy Suomen Pääomarahoitus-Finlands Kapitalfinans Ab, Helsinki	1 000	100	100	FIM	10.0	10.0	14.1
Seppälä Oy, Helsinki	30 000	100	100	FIM	30.0	30.0	375.0
O.Y. Akateeminen Kirjakauppa, Helsinki	50	100	100	FIM	0.1	0.0	0.0
SIA Stockmann, Riga	1 000	100	100	LVL	0.0	0.0	0.0
SIA Stockmann Centrs, Riga	1 000	100	100	LVL	0.0	0.0	0.0
Stockmann AS, Tallinn	1 800	100	100	EEK	18.0	6.8	17.7
TF-Autokeskus Oy, Vantaa	600	100	100	FIM	0.1	2.7	1.7
Parent company holdings, total						259.8	800.3

NOTES TO THE BALANCE SHEET

Holdings of subsidiaries	Number	Shareholding, %	Voting rights, %	Currency	Par value in given currency/mill.	Book value, FIM millions	Shareholders' equity FIM millions
Bullworker Myynti Oy, Helsinki	3	100	100	FIM	0.1	0.1	0.9
Oy Concert Hall Society Ab, Helsinki	10	100	100	FIM	0.0	0.0	0.0
Hobby Hall Ab, Sweden	1 000	100	100	SEK	0.1	0.1	0.1
ZAO Kalinka-Stockmann STP, St Petersburg	100	100	100	RUR	0.0	0.0	-2.5
Group undertakings owned by subsidiaries, total						0.1	-1.5
Group undertakings, total						259.9	798.8

Other undertakings

Parent company holdings	Number	Shareholding, %	Currency	Par value in given currency/mill.	Book value, FIM millions
Oy Kamppiparkki Ab, Helsinki	50	6.1	FIM	1.0	9.3
Kesko Corporation, Helsinki	217 000	0.2	FIM	2.2	8.6
Kiinteistö Oy Raitinkartano, Espoo	1 029	15.6	FIM	0.5	32.9
Merita, Helsinki	500 000	0.1	FIM	5.0	7.8
Pitäjänmäen Kiinteistöt Oy, Helsinki	10 360	19.5	FIM	62.2	64.5
Polar Corporation, Helsinki	3 627 100	3.1	FIM	36.3	7.8
Aktia Säästöpankki Oyj, Helsinki	430 900	1.3	FIM	5.2	6.8
Kt Oy Tapiolan Säästötammi Fastighets Ab, Espoo	3 125	37.8	FIM	3.1	37.1
TukoSpar Oy, Kerava	840	14.0	FIM	8.4	32.9
Others				11.5	11.6
Parent company holdings, total					219.2

Holdings of subsidiaries	Number	Shareholding, %	Currency	Par value in given currency/mill.	Book value, FIM millions
Arabian Kiinteistö Oy, Helsinki	5 174	51.3	FIM	0.1	15.0
Arabian Pienteollisuustalo Oy, Helsinki	1 590	12.0	FIM	0.0	5.9
Others					7.4
Other undertakings owned by subsidiaries, total					28.3
Other Group-owned undertakings, total					247.5

The market value of the other publicly traded shares owned by the parent company and the subsidiaries exceeded the book value by FIM 52.0 million on December 31, 1999.

CHANGES IN GROUP STRUCTURE

In connection with the divestiture of Sesto's business operations, at the end of 1999 Stockmann sold the real-estate management companies Kiinteistö Oy Friisinkeskus, Upper Limit Oy, Aspius Oy as well as a 20 per cent interest in Vantaan Valimotie Oy. In 1999 Hobby Hall established the subsidiary Hobby Hall Ab in Sweden.
In 1998 the remainder in the shares of TF-Autokeskus Oy and Espoon Autotalo Oy were bought for a price of FIM 3.1 million.
In addition, the shares outstanding in the real-estate management companies Kiinteistö Oy Luistelinjanvuori and Kambrium Oy were acquired for a price of FIM 8.4 million. The subsidiaries SIA Stockmann and SIA Stockmann Centrs were established in Latvia in 1998.

Debtors

17. Non-current debtors

FIM millions	STOCKMANN 1999	STOCKMANN 1998	STOCKMANN plc 1999	STOCKMANN plc 1998
Interest-bearing trade debtors	**6.5**	5.5	**6.5**	5.5
Interest-bearing loan receivables	**5.7**	11.3	**5.7**	11.3
Non-current debtors, total	**12.2**	16.8	**12.2**	16.8

18. Current debtors

FIM millions	STOCKMANN 1999	STOCKMANN 1998	STOCKMANN plc 1999	STOCKMANN plc 1998
Interest-bearing trade debtors	**687.0**	568.6	**223.5**	227.9
Non-interest bearing trade debtors	**224.2**	302.3	**324.1**	289.4
Trade debtors, total	**911.2**	870.9	**547.6**	517.3
Interest-bearing loan receivables	**0.7**	0.4		
Amounts owed by Group undertakings			**317.1**	289.8
Other debtors	**68.0**	102.1	**51.4**	73.7
Pre-payments and accrued income	**60.0**	57.4	**42.3**	97.3
Current debtors, total	**1 039.9**	1 030.9	**958.5**	978.0

The Group's interest-bearing trade debtors include one-time credits on mail order sales of FIM 470.0 million in 1999 and FIM 346.2 million in 1998. The interest income on these debtors is entered in net turnover instead of in interest income because it is included in the sales price.
Other interest-bearing trade debtors are Stockmann Account, hire purchase and leasing payment debtors for which interest income is entered in interest income.

NOTES TO THE BALANCE SHEET	STOCKMANN 1999	STOCKMANN 1998	STOCKMANN plc 1999	STOCKMANN plc 1998
19. Essential items in prepayments and accrued income				
FIM millions				
Deferred annual discounts	**13.1**	9.9	**13.1**	9.9
Deferred interest	**2.4**	8.5	**2.4**	8.5
Deferred indirect employee costs	**3.1**	8.8	**3.0**	2.6
Group contribution				50.0
Deferred sales price	**3.7**		**3.7**	
Other	**37.7**	30.1	**20.1**	26.2
Total	**60.0**	57.4	**42.3**	97.3
20. Difference between cost and market value of current assets, bonds and promissory notes				
FIM millions				
Market value Dec. 31	**436.8**	332.9	**436.8**	332.9
Book value Dec. 31	**436.8**	332.7	**436.8**	332.7
Difference	**0.0**	0.3	**0.0**	0.3
21. Changes in capital and reserves				
FIM millions				
Share capital				
Series A shares Jan. 1	**248.7**	165.8	**248.7**	165.8
Bonus issue		82.9		82.9
Series A shares Dec. 31	**248.7**	248.7	**248.7**	248.7
Series B shares Jan. 1	**265.1**	123.1	**265.1**	123.1
Bonus issue		63.9		63.9
Rights issue		73.3		73.3
Subscriptions with warrants		4.8		4.8
Series B shares Dec. 31	**265.1**	265.1	**265.1**	265.1
Share capital, total	**513.8**	513.8	**513.8**	513.8
Premium fund Jan. 1	**888.7**		**888.7**	
Subscriptions in share issue		476.4		476.4
Subscriptions with warrants		52.8		52.8
Transfer from Reserve fund		359.5		359.5
Premium fund Dec. 31	**888.7**	888.7	**888.7**	888.7
Revaluation fund Jan. 1		140.0		140.0
Transfer to capital and reserves in bonus issue		-140.0		-140.0
Revaluation fund Dec. 31		0.0		0.0
Reserve fund Jan. 1	**8.8**	374.6		366.4
To cover losses in Russia	**-8.2**			
Transfer to share capital account in bonus issue		-6.9		-6.9
Formed in Estonia		0.6		
Transferred to share premium account		-359.5		-359.5
Reserve fund Dec. 31	**0.6**	8.8		0.0
Other funds Jan. 1 and Dec. 31	**260.0**	260.0	**260.0**	260.0
Retained earnings Jan. 1	**1 238.9**	1 097.7	**284.0**	294.0
Losses in Russia covered from the Reserve fund	**8.2**			
Distribution of profit	**-257.4**	-130.4	**-257.4**	-130.4
Total	**989.6**	966.7	**26.6**	163.6
Net profit for the financial year	**348.5**	272.1	**357.6**	120.4
Capital and reserves, total	**3 001.3**	2 910.2	**2 046.7**	1 946.5

NOTES TO THE BALANCE SHEET	STOCKMANN 1999	STOCKMANN 1998	STOCKMANN plc 1999	STOCKMANN plc 1998

Schedule of distributable funds Dec. 31

FIM millions				
Other funds	**260.0**	260.0	**260.0**	260.0
Retained earnings	**989.6**	966.7	**26.6**	163.6
Depreciation difference entered in capital and reserves	**-361.0**	-452.1		
Net profit for the financial year	**348.5**	272.1	**357.6**	120.4
Total	**1 237.2**	1 046.7	**644.2**	544.0

Depreciation reserve

FIM millions		
Accumulated depreciation difference included in capital and reserves	**361.0**	452.1
Deferred tax liability	**147.4**	175.8

22. The parent company's share capital is divided between share series as follows

Par value FIM 10	Number of shares	FIM millions
Series A shares (10 votes each)	24 868 893	248.7
Series B shares (1 vote each)	26 514 084	265.1
Total	51 382 977	513.8

23. Bonds with warrants

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 102.14 less the per-share dividends paid after May 1, 1997.

The subscription periods are as follows: 315 000 shares from April 1, 2000, to January 31, 2004, 315 000 shares from April 1, 2001 to January 31, 2004 and 630 000 shares from April 1, 2002 to January 31, 2004.

The subscription price of the shares after the payment of the dividends for the 1997-1998 financial years and the proposed dividend payout for 1999 is FIM 91.00.

24. Loans with maturities longer than five years

FIM millions	STOCKMANN 1999	STOCKMANN 1998	STOCKMANN plc 1999	STOCKMANN plc 1998
Pension loans	**3.0**	96.8	**3.0**	75.5
Other loans		30.0		30.0
Total	**3.0**	126.8	**3.0**	105.5

25. Essential items in accruals and prepaid income

FIM millions	STOCKMANN 1999	STOCKMANN 1998	STOCKMANN plc 1999	STOCKMANN plc 1998
Accrued salaries and wages	**26.8**	27.8	**21.1**	24.6
Accrued holiday pay	**83.3**	84.5	**61.3**	63.8
Final purchase instalment on shares in a real-estate management company		32.4		32.4
Accrued interest	**6.1**	16.5	**5.0**	13.4
Returns provision for mail order sales	**6.3**	6.0		
Accrued taxes	**69.7**		**69.7**	
Accrued rents	**4.7**	2.8		
Other accruals	**36.5**	34.8	**28.0**	20.3
Total	**233.4**	204.7	**185.1**	154.4

26. Creditors

FIM millions	STOCKMANN 1999	STOCKMANN 1998	STOCKMANN plc 1999	STOCKMANN plc 1998
Deferred tax liability	**147.4**	175.8		
Non-current interest-bearing liabilities	**107.8**	511.8	**107.8**	482.4
Current interest-bearing liabilities	**422.1**	132.8	**419.3**	117.0
Current non-interest-bearing liabilities	**920.0**	740.3	**1 048.1**	914.9
Total	**1 597.4**	1 560.7	**1 575.3**	1 514.3

NOTES TO THE BALANCE SHEET	STOCKMANN 1999	STOCKMANN 1998	STOCKMANN plc 1999	STOCKMANN plc 1998
27. Security pledged, contingent liabilities and other commitments				
FIM millions				
Security pledged				
Liabilities for which mortgages on real-estate have been lodged as security				
Pension loans Dec. 31	**10.5**	145.9	**10.5**	114.2
Loans from financial institutions Dec. 31		1.0		1.0
Mortgages given	**11.1**	166.7	**11.1**	124.5
Mortgages pledged as security, total	**11.1**	166.7	**11.1**	124.5
Other security pledged for loans of the company				
Mortgages given	**10.5**			
Security pledged	**0.5**	10.4	**0.5**	10.4
Total	**11.0**	10.4	**0.5**	10.4
Security pledged on behalf of Group undertakings				
Real-estate mortgages given				31.7
Guarantees			**2.7**	6.1
Total			**2.7**	37.8
Leasing commitments				
Payable during the 2000 financial year	**1.2**	2.0	**0.5**	1.3
Payable at a later date	**1.2**	2.0	**0.8**	1.3
Total	**2.4**	4.0	**1.3**	2.6
Other own commitments				
Other commitments	**215.5**	185.0	**215.0**	181.3
Commitments, total				
Mortgages	**21.6**	166.7	**11.1**	156.2
Pledges	**0.5**	10.4	**0.5**	10.4
Guarantees			**2.7**	6.1
Other commitments	**217.9**	188.9	**216.3**	183.9
Total	**240.0**	366.1	**230.6**	356.6

28. Pension liabilities

The pension liabilities of Group companies are insured with outside pension insurance companies. The pension liabilities are fully covered.

29. Provisions

Compulsory provisions

In the 1998 and 1999 consolidated accounts, a compulsory provision was not made even though an application had been submitted to the Helsinki District Court in January 1998 according to which a claim for damages was 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 groundless and estimates that the company will not incur an obligation to pay damages in the case.

30. 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 and share price risks on the Group's net profit, shareholders' equity and cash reserves as well as to ensure that counterparty and liquidity risks do not materialize. Financial risk management is handled on a centralized basis by the Treasury unit, with the exception of the risk management of sales financing, which is handled by the profit centre in question.

The risk management policy has been determined by the Board of Directors of Stockmann plc. Financial risk reporting is submitted to the Board of Directors quarterly, and monthly to the top management.

Foreign exchange risk

Stockmann’s foreign exchange risk has diminished following the introduction of the euro. Stockmann’s foreign exchange risk arises from purchases made in foreign currencies, in which the main purchasing currencies are the USD, GBP, HKD and SEK as well as from sales receivables denominated in RUR and EEK. The management of foreign exchange risk primarily involves a unit-by-unit determination of the cash flow risks relating to individual currencies and on the monitoring of foreign exchange risk, via these units on a company-wide basis, against the euro and thereby against the Finnish markka. In hedging against foreign exchange risk the Treasury uses forward agreements and options.

NOTES TO THE BALANCE SHEET

Interest rate and share price risk
Stockmann's interest rate risk derives from the effect of interest rate changes on the value of investments as well as to the fact that at the end of interest rate periods, assets and liabilities are susceptible to changes in interest rates. The management of interest rate risk involves monitoring the relationship between assets and liabilities in different interest rate periods. The hedging instruments that are used are bond futures, forward rate agreements and options as well as interest rate swaps. Stockmann's share price risk arises from the effect of changes in the price of shares on the value of investments. Stock futures and stock options are used in hedging investments in shares.

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 millions	Underlying amount at the end of the period	Remaining open at the end of the period
Interest rate derivatives		
Forward agreements	624.3	267.6
Foreign exchange derivatives		
Forward agreements	129.1	54.8

If all the derivative instruments had been closed on December 31, 1999, the net result would have been FIM +0.1 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.

Foreign currency forward agreements
Foreign currency forward agreements are valued at mark-to-market values on the balance sheet date.

NOTES TO THE PROFIT AND LOSS ACCOUNT	STOCKMANN 1999	STOCKMANN 1998	STOCKMANN plc 1999	STOCKMANN plc 1998

1. Net turnover

Breakdown of net turnover by market area

EUR millions				
Finland	**1 224.8**	1 131.4	**968.1**	891.0
Estonia	**51.0**	53.8		
Russia	**43.8**	31.3		
Total	**1 319.6**	1 216.5	**968.1**	891.0

2. Other operating income

EUR millions				
Gains on the sale of non-current assets		3.6		3.6
Goodwill-compensation		3.4		3.4
Capital gain on the divestment of Sesto	**32.5**		**32.5**	
Rental income from subsidiaries			**2.9**	1.8
Compensation for expenses, invoiced to Group companies			**5.4**	7.3
Total	**32.5**	7.0	**40.8**	16.0

3. Gross margin

EUR millions				
Net turnover	**1 319.6**	1 216.5	**968.1**	891.0
Raw materials and consumables	**943.8**	875.3	**718.2**	660.7
Variation in stocks	**-10.1**	-21.6	**-5.1**	-15.0
Gross profit	**385.9**	362.9	**255.0**	245.3
Gross profit/net turnover (%)	**29.2**	29.8	**26.3**	27.5

4. Staff expenses

EUR millions				
Salaries and emoluments paid to the boards of directors and managing directors	**0.8**	0.7	**0.4**	0.4
Other staff wages and salaries	**132.5**	124.3	**104.8**	99.3
Wages during sick leave	**3.4**	3.1	**2.6**	2.3
Pension expenses	**16.5**	18.9	**12.5**	14.8
Other staff costs	**13.7**	14.3	**10.8**	11.5
Total	**166.9**	161.2	**131.1**	128.3

Group and parent company staff, average

Finland	**6 977**	6 530	**5 648**	5 322
Estonia	**384**	363	**4**	6
Russia	**680**	468	**9**	10
Total	**8 041**	7 361	**5 661**	5 338

Age breakdown of staff

%				
Under 24 years old	**23.0**	22.8	**21.7**	22.4
25-34 years old	**32.3**	33.7	**32.2**	33.5
35-44 years old	**18.5**	16.9	**17.9**	16.0
45-54 years old	**16.1**	16.8	**16.9**	17.4
55-65 years old	**10.1**	9.8	**11.3**	10.7
Total	**100.0**	100.0	**100.0**	100.0

Loans to persons closely associated with the company

EUR millions				
Loans granted to the managing directors and members of the boards of directors	**0.2**	0.2	**0.2**	0.2

The maturities are 6-7 years. The interest rate on the loans is tied to the market interest rate.

Management pension liabilities

The agreed retirement age for Group company managing directors is 60-65 years.
The agreed retirement age for the parent company managing director is 60 years.

NOTES TO THE PROFIT AND LOSS ACCOUNT	STOCKMANN 1999	STOCKMANN 1998	STOCKMANN plc 1999	STOCKMANN plc 1998
5. Depreciation and reduction in value				
EUR millions				
Intangible rights	**2.0**	2.3	**1.8**	2.2
Goodwill arising on consolidation	**0.5**	0.4		
Goodwill	**0.0**	0.0	**0.2**	0.2
Other capitalized long-term expenses	**3.4**	2.0	**1.7**	1.2
Buildings and constructions	**4.9**	4.0	**4.0**	3.2
Machinery and equipment	**15.9**	12.7	**11.7**	9.5
Total	**26.7**	21.3	**19.4**	16.3
6. Other operating expenses				
EUR millions				
Site expenses	**60.3**	52.8	**41.3**	37.8
Marketing expenses	**33.2**	31.8	**13.2**	14.0
Goods handling expenses	**14.8**	13.5	**5.2**	4.7
Credit losses	**1.6**	1.8	**0.1**	0.3
Voluntary staff costs	**3.5**	3.5	**2.5**	2.6
Other costs	**29.6**	27.1	**19.6**	20.5
Total	**143.1**	130.5	**81.8**	79.9
7. Interest and financial income from outside the Group				
EUR millions				
From interest-bearing trade debtors	**9.1**	8.6	**9.1**	8.6
Other	**2.6**	4.8	**2.0**	4.4
Total	**11.7**	13.5	**11.1**	13.0
8. Write-downs on investments				
EUR millions				
Reductions in value of non-current investments				
Shares in ZAO Kalinka-Stockmann				9.4
Total				9.4
9. Interest and other financial expenses outside the Group				
EUR millions				
Foreign exchange losses on International Operations of the Department Store Division	**0.7**	0.9	**1.6**	6.7
Other foreign exchange gains and losses (net)	**-0.2**	0.4	**-0.2**	0.4
Other interest and financial expenses paid to parties outside the Group	**6.9**	8.4	**6.7**	7.9
Total	**7.4**	9.8	**8.1**	15.0
10. Extraordinary items				
EUR millions				
Extraordinary income				
Group contribution			**0.6**	8.4
Extraordinary expenses				
Reduction in the value of shares in Polar Corporation		-2.4		-2.4
Total		-2.4	**0.6**	6.0
11. Appropriations				
EUR millions				
Change in depreciation reserve				
Intangible rights			**0.1**	0.0
Other capitalized long-term expenses			**0.1**	0.5
Buildings and constructions			**15.7**	-2.2
Machinery and equipment			**2.6**	-1.3
Total			**18.5**	-3.0

NOTES TO THE PROFIT AND LOSS ACCOUNT	STOCKMANN 1999	1998	STOCKMANN plc 1999	1998
12. Income taxes				
EUR millions				
Income taxes on ordinary operations for the financial year	**31.2**	13.4	**18.6**	6.9
Income taxes on extraordinary items		-0.7		1.7
Income taxes on ordinary operations from previous financial years	**1.7**	-0.3	**1.0**	-0.3
Change in deferred tax liability	**-4.8**	0.6		
Tax payable on appropriations			**5.2**	-0.8
Total	**28.1**	13.0	**24.8**	7.4
13. Surplus taxes*				
EUR millions	**1998**	1997	**1998**	1997
Unused surplus taxes	**31.9**	36.6	**0.0**	9.3

*) Aggregate of assessed corporate taxes in excess of tax payable on distribution of dividends, which can be used to set off the tax liability based on future distribution of dividends.

NOTES TO THE BALANCE SHEET	STOCKMANN 1999	1998	STOCKMANN plc 1999	1998
Non-current assets				
14. Intangible assets				
EUR millions				
Intangible rights				
Acquisition cost Jan. 1	**14.7**	11.5	**13.1**	10.2
Increases Jan. 1-Dec. 31	**6.4**	3.2	**4.8**	3.0
Decreases Jan. 1-Dec. 31	**-3.2**	0.0	**-3.1**	0.0
Acquisition cost Dec. 31	**17.9**	14.7	**14.8**	13.1
Accumulated depreciation Jan. 1	**8.7**	6.4	**8.3**	6.1
Depreciation for the financial year	**2.0**	2.3	**1.8**	2.2
Accumulated depreciation on reductions Jan. 1-Dec. 31	**-0.3**		**-0.3**	
Accumulated depreciation Dec. 31	**10.4**	8.7	**9.8**	8.3
Book value Dec. 31	**7.5**	6.0	**5.0**	4.8
Goodwill arising on consolidation				
Acquisition cost Jan. 1	**2.4**	1.8		
Increases Jan. 1-Dec. 31		0.8		
Decreases Jan. 1-Dec. 31		-0.2		
Acquisition cost Dec. 31	**2.4**	2.4		
Accumulated depreciation Jan. 1	**0.9**	0.5		
Depreciation for the financial year	**0.5**	0.4		
Accumulated depreciation Dec. 31	**1.3**	0.9		
Book value Dec. 31	**1.0**	1.5		
Goodwill				
Acquisition cost Jan. 1	**0.2**		**1.1**	1.1
Increases Jan. 1-Dec. 31	**0.1**	0.2		
Acquisition cost Dec. 31	**0.3**	0.2	**1.1**	1.1
Accumulated depreciation Jan. 1	**0.0**		**0.6**	0.4
Depreciation for the financial year	**0.0**	0.0	**0.2**	0.2
Accumulated depreciation Dec. 31	**0.0**	0.0	**0.8**	0.6
Book value Dec. 31	**0.2**	0.1	**0.3**	0.5
Other capitalized long-term expenses				
Acquisition cost Jan. 1	**28.5**	19.6	**15.7**	16.6
Increases Jan. 1-Dec. 31	**5.4**	12.2	**2.9**	2.3
Decreases Jan. 1-Dec. 31	**-1.8**	-3.3	**-1.8**	-3.3
Acquisition cost Dec. 31	**32.2**	28.5	**16.7**	15.7
Accumulated depreciation Jan. 1	**6.5**	4.7	**4.9**	3.6
Depreciation for the financial year	**3.4**	1.7	**1.7**	1.2
Accumulated depreciation on reductions Jan. 1-Dec. 31	**-1.4**		**-1.4**	
Accumulated depreciation Dec. 31	**8.5**	6.5	**5.2**	4.9
Book value Dec. 31	**23.7**	22.1	**11.5**	10.8

NOTES TO THE BALANCE SHEET	STOCKMANN 1999	STOCKMANN 1998	STOCKMANN plc 1999	STOCKMANN plc 1998
EUR millions				
Advance payments and projects in progress				
Acquisition cost Jan. 1	**1.3**	1.0	**1.1**	0.8
Increases Jan. 1-Dec. 31	**1.4**	1.3	**1.1**	1.1
Transfers between items	**-1.3**	-1.0	**-1.1**	-0.8
Book value Dec. 31	**1.4**	1.3	**1.1**	1.1
Intangible assets, total	**33.8**	31.0	**17.9**	17.2
15. Tangible assets				
EUR millions				
Land and water				
Acquisition cost Jan. 1	**22.1**	16.6	**7.7**	3.5
Increases Jan. 1-Dec. 31	**0.9**	5.5	**0.8**	4.2
Decreases Jan. 1-Dec. 31	**-5.7**			
Acquisition cost Dec. 31	**17.3**	22.1	**8.5**	7.7
Revaluations Jan. 1 and Dec. 31	**5.9**	5.9	**5.9**	5.9
Book value Dec. 31	**23.2**	28.0	**14.4**	13.6
Buildings and constructions				
Acquisition cost Jan. 1	**168.2**	140.9	**144.3**	120.0
Increases Jan. 1-Dec. 31	**26.9**	27.8	**25.5**	24.6
Decreases Jan. 1-Dec. 31	**-21.9**	-0.6	**-21.9**	-0.3
Acquisition cost Dec. 31	**173.2**	168.2	**148.0**	144.3
Accumulated depreciation Jan. 1	**30.3**	26.4	**24.7**	21.5
Depreciation for the financial year	**4.9**	3.9	**4.0**	3.2
Accumulated depreciation on reductions Jan. 1-Dec. 31	**-2.5**		**-2.5**	
Accumulated depreciation Dec. 31	**32.7**	30.3	**26.2**	24.7
Revaluations Jan. 1 and Dec. 31	**26.5**	26.5	**26.5**	26.5
Book value Dec. 31	**167.0**	164.4	**148.3**	146.1
Machinery and equipment				
Acquisition cost Jan. 1	**125.5**	104.0	**98.0**	82.9
Increases Jan. 1-Dec. 31	**27.4**	23.8	**19.1**	16.4
Decreases Jan. 1-Dec. 31	**-24.0**	-2.2	**-24.2**	-1.3
Acquisition cost Dec. 31	**128.9**	125.5	**93.0**	98.0
Accumulated depreciation Jan. 1	**65.8**	53.1	**53.7**	44.2
Depreciation for the financial year	**15.9**	12.6	**11.7**	9.5
Accumulated depreciation on reductions Jan. 1-Dec. 31	**-13.5**		**-13.5**	
Accumulated depreciation Dec. 31	**68.2**	65.8	**51.9**	53.7
Book value Dec. 31	**60.7**	59.8	**41.0**	44.4
Other tangible assets				
Acquisition cost Jan. 1	**0.1**	0.1	**0.1**	0.1
Increases Jan. 1-Dec. 31		0.0		0.0
Decreases Jan. 1-Dec. 31	**0.0**		**0.0**	
Acquisition cost Dec. 31	**0.1**	0.1	**0.1**	0.1
Book value Dec. 31	**0.1**	0.1	**0.1**	0.1
Advance payments and construction in progress				
Acquisition cost Jan. 1	**8.3**	6.9	**6.3**	6.7
Increases Jan. 1-Dec. 31	**5.1**	8.4	**4.8**	6.3
Transfers between items	**-8.3**	-6.9	**-6.3**	-6.7
Acquisition cost Dec. 31	**5.1**	8.3	**4.8**	6.3
Book value Dec. 31	**5.1**	8.3	**4.8**	6.3
Tangible assets, total	**256.1**	260.6	**208.6**	210.5
Revaluations included in balance sheet values				
EUR millions				
Land and water	**5.9**	5.9	**5.9**	5.9
Buildings	**26.5**	26.5	**26.5**	26.5
Total	**32.4**	32.4	**32.4**	32.4

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

NOTES TO THE BALANCE SHEET	STOCKMANN 1998	1997	STOCKMANN plc 1998	1997
Taxation and fire insurance values				
EUR millions				
Taxation values				
Land and water	**66.7**	64.6	**63.7**	60.2
Shares in subsidiaries			**92.1**	73.1
Other shares	**20.4**	32.1	**17.7**	29.9
Buildings				
Taxation values	**34.3**	35.9	**26.2**	27.2
Fire insurance values	**290.8**	318.3	**247.6**	260.4

If the taxation value has not been available, the book value has been given.

16. Investments

EUR millions	STOCKMANN 1999	1998	STOCKMANN plc 1999	1998
Holdings in Group undertakings				
Acquisition cost Jan. 1			**46.2**	50.0
Increases Jan. 1-Dec. 31			**0.0**	6.0
Decreases Jan. 1-Dec. 31			**-2.5**	-0.4
Reductions in value Jan. 1- Dec. 31				-9.4
Book value Dec. 31			**43.7**	46.2
Receivables from Group undertakings				
Book value Jan. 1 and Dec. 31			**3.7**	3.7
Other shares and participations				
Acquisition cost Jan. 1	**50.1**	42.3	**45.4**	38.3
Increases Jan. 1-Dec. 31	**0.1**	13.1	**0.1**	12.3
Decreases Jan. 1-Dec. 31	**-8.6**	-2.8	**-8.6**	-2.7
Reductions in value Jan. 1- Dec. 31		-2.4		-2.4
Book value Dec. 31	**41.6**	50.1	**36.9**	45.4
Investments, total	**41.6**	50.1	**84.3**	95.3

Shares and participations

Group undertakings

Parent company holdings	Number	Shareholding, %	Voting rights, %	Currency	Par value in given currency/mill.	Book value, EUR millions	Shareholders' equity EUR millions
ZAO Kalinka-Stockmann, Moscow	583 450	100	100	RUR	9.8	3.6	-0.8
ZAO Stockmann-Krasnoselskaya, Moscow	100	100	100	RUR	0.0	0.0	0.0
Auto-Oriketo Oy, Turku	40 000	100	100	FIM	0.7	0.8	0.7
Espoon Autotalo Oy, Espoo	300	100	100	FIM	0.0	0.5	0.0
Tikkurilan Autocenter Oy, Helsinki	4 000	100	100	FIM	0.7	0.8	0.6
Kambrium Oy, Vantaa	50	100	100	FIM	0.0	0.2	0.0
Kiinteistö Oy Friisinkeskus, Espoo	1 900	97	97	FIM	0.0	0.6	0.7
Kiinteistö Oy Hgin Valurinkatu 1, Helsinki	100	100	100	FIM	0.0	0.0	0.0
Kiinteistö Oy Luistelijanvuori, Vantaa	72	100	100	FIM	0.0	1.2	0.2
Kiinteistö Oy Muuntajankatu 4, Helsinki	50	100	100	FIM	0.0	3.3	2.2
Kiinteistö Oy Stävö, Helsinki	50	100	100	FIM	0.0	0.0	0.0
Kiinteistö Oy Vantaan Kiitoradantie 2, Vantaa	100	100	100	FIM	0.0	0.0	0.0
Kiinteistö Oy Vantaan Rasti, Vantaa	388	100	100	FIM	0.5	4.9	4.4
Kiinteistö Oy Vantaan Valimotie, Vantaa	400 000	80	80	FIM	0.7	0.7	0.8
Oy Hobby Hall Ab, Helsinki	120 000	100	100	FIM	10.1	18.8	56.8
Oy Hullut Päivät-Galna Dagarna Ab, Helsinki	40	100	100	FIM	0.0	0.0	0.0
Oy Suomen Pääomarahoitus-Finlands Kapitalfinans Ab, Helsinki	1 000	100	100	FIM	1.7	1.7	2.4
Seppälä Oy, Helsinki	30 000	100	100	FIM	5.0	5.0	63.1
O.Y. Akateeminen Kirjakauppa, Helsinki	50	100	100	FIM	0.0	0.0	0.0
SIA Stockmann, Riga	1 000	100	100	LVL	0.0	0.0	0.0
SIA Stockmann Centrs, Riga	1 000	100	100	LVL	0.0	0.0	0.0
Stockmann AS, Tallinn	1 800	100	100	EEK	3.0	1.1	3.0
TF-Autokeskus Oy, Vantaa	600	100	100	FIM	0.0	0.5	0.3
Parent company holdings, total						43.7	134.6

NOTES TO THE BALANCE SHEET

Holdings of subsidiaries	Number	Shareholding, %	Voting rights, %	Currency	Par value in given currency/mill.	Book value, EUR millions	Shareholders' equity EUR millions
Bullworker Myynti Oy, Helsinki	3	100	100	FIM	0.0	0.0	0.1
Oy Concert Hall Society Ab, Helsinki	10	100	100	FIM	0.0	0.0	0.0
Hobby Hall Ab, Sweden	1 000	100	100	SEK	0.0	0.0	0.0
ZAO Kalinka-Stockmann STP, St Petersburg	100	100	100	RUR	0.0	0.0	-0.4
Group undertakings owned by subsidiaries, total						0.0	-0.3
Group undertakings, total						43.7	134.3

Other undertakings

Parent company holdings	Number	Shareholding, %	Currency	Par value in given currency/mill.	Book value, EUR millions
Oy Kamppiparkki Ab, Helsinki	50	6.1	FIM	0.2	1.6
Kesko Corporation, Helsinki	217 000	0.2	FIM	0.4	1.4
Kiinteistö Oy Raitinkartano, Espoo	1 029	15.6	FIM	0.1	5.5
Merita, Helsinki	500 000	0.1	FIM	0.8	1.3
Pitäjänmäen Kiinteistöt Oy, Helsinki	10 360	19.5	FIM	10.5	10.8
Polar Corporation, Helsinki	3 627 100	3.1	FIM	6.1	1.3
Aktia Säästöpankki Oyj, Helsinki	430 900	1.3	FIM	0.9	1.1
Kt Oy Tapiolan Säästötammi Fastighets Ab, Espoo	3 125	37.8	FIM	0.5	6.2
TukoSpar Oy, Kerava	840	14.0	FIM	1.4	5.5
Others				1.9	1.9
Parent company holdings, total					36.9

Holdings of subsidiaries	Number	Shareholding, %	Currency	Par value in given currency/mill.	Book value, EUR millions
Arabian Kiinteistö Oy, Helsinki	5 174	51.3	FIM	0.0	2.5
Arabian Pienteollisuustalo Oy, Helsinki	1 590	12.0	FIM	0.0	1.0
Others					1.2
Other undertakings owned by subsidiaries, total					4.8
Other Group-owned undertakings, total					41.6

The market value of the other publicly traded shares owned by the parent company and the subsidiaries exceeded the book value by EUR 8.7 million on December 31, 1999.

CHANGES IN GROUP STRUCTURE

In connection with the divestiture of Sesto's business operations, at the end of 1999 Stockmann sold the real-estate management companies Kiinteistö Oy Friisinkeskus, Upper Limit Oy, Aspius Oy as well as a 20 per cent interest in Vantaan Valimotie Oy. In 1999 Hobby Hall established the subsidiary Hobby Hall Ab in Sweden.
In 1998 the remainder in the shares of TF-Autokeskus Oy and Espoon Autotalo Oy were bought for a price of EUR 0.5 million.
In addition, the shares outstanding in the real-estate management companies Kiinteistö Oy Luistelinjanvuori and Kambrium Oy were acquired for a price of EUR 1.4 million. The subsidiaries SIA Stockmann and SIA Stockmann Centrs were established in Latvia in 1998.

Debtors

17. Non-current debtors

	STOCKMANN		STOCKMANN plc	
EUR millions	**1999**	1998	**1999**	1998
Interest-bearing trade debtors	**1.1**	0.9	**1.1**	0.9
Interest-bearing loan receivables	**1.0**	1.9	**1.0**	1.9
Non-current debtors, total	**2.1**	2.8	**2.1**	2.8

18. Current debtors

EUR millions				
Interest-bearing trade debtors	**115.5**	95.6	**37.6**	38.3
Non-interest bearing trade debtors	**37.7**	50.8	**54.5**	48.7
Trade debtors, total	**153.3**	146.5	**92.1**	87.0
Interest-bearing loan receivables	**0.1**	0.1		
Amounts owed by Group undertakings			**53.3**	48.7
Other debtors	**11.4**	17.2	**8.7**	12.4
Pre-payments and accrued income	**10.1**	9.7	**7.1**	16.4
Current debtors, total	**174.9**	173.4	**161.2**	164.5

The Group's interest-bearing trade debtors include one-time credits on mail order sales of EUR 79.1 million in 1999 and EUR 58.2 million in 1998. The interest income on these debtors is entered in net turnover instead of in interest income because it is included in the sales price.
Other interest-bearing trade debtors are Stockmann Account, hire purchase and leasing payment debtors for which interest income is entered in interest income.

NOTES TO THE BALANCE SHEET	STOCKMANN 1999	STOCKMANN 1998	STOCKMANN plc 1999	STOCKMANN plc 1998
19. Essential items in prepayments and accrued income				
EUR millions				
Deferred annual discounts	**2.2**	1.7	**2.2**	1.7
Deferred interest	**0.4**	1.4	**0.4**	1.4
Deferred indirect employee costs	**0.5**	1.5	**0.5**	0.4
Group contribution				8.4
Deferred sales price	**0.6**		**0.6**	
Other	**6.3**	5.1	**3.4**	4.4
Total	**10.1**	9.7	**7.1**	16.4
20. Difference between cost and market value of current assets, bonds and promissory notes				
EUR millions				
Market value Dec. 31	**73.5**	56.0	**73.5**	56.0
Book value Dec. 31	**73.5**	55.9	**73.5**	55.9
Difference	**0.0**	0.0	**0.0**	0.0
21. Changes in capital and reserves				
EUR millions				
Share capital				
Series A shares Jan. 1	**41.8**	27.9	**41.8**	27.9
Bonus issue		13.9		13.9
Series A shares Dec. 31	**41.8**	41.8	**41.8**	41.8
Series B shares Jan. 1	**44.6**	20.7	**44.6**	20.7
Bonus issue		10.8		10.8
Rights issue		12.3		12.3
Subscriptions with warrants		0.8		0.8
Series B shares Dec. 31	**44.6**	44.6	**44.6**	44.6
Share capital, total	**86.4**	86.4	**86.4**	86.4
Premium fund Jan. 1	**149.5**		**149.5**	
Subscriptions in share issue		80.1		80.1
Subscriptions with warrants		8.9		8.9
Transfer from Reserve fund		60.5		60.5
Premium fund Dec. 31	**149.5**	149.5	**149.5**	149.5
Revaluation fund Jan. 1		23.5		23.5
Transfer to capital and reserves in bonus issue		-23.5		-23.5
Revaluation fund Dec. 31		0.0		0.0
Reserve fund Jan. 1	**1.5**	63.0		61.6
To cover losses in Russia	**-1.4**			
Transfer to share capital account in bonus issue		-1.2		-1.2
Formed in Estonia		0.1		
Transferred to share premium account		-60.5		-60.5
Reserve fund Dec. 31	**0.1**	1.5		0.0
Other funds Jan. 1 and Dec. 31	**43.7**	43.7	**43.7**	43.7
Retained earnings Jan. 1	**208.4**	184.6	**47.8**	49.5
Losses in Russia covered from the Reserve fund	**1.4**			
Distribution of profit	**-43.3**	-21.9	**-43.3**	-21.9
Total	**166.4**	162.6	**4.5**	27.5
Net profit for the financial year	**58.6**	45.8	**60.1**	20.2
Capital and reserves, total	**504.8**	489.5	**344.2**	327.4

NOTES TO THE BALANCE SHEET	STOCKMANN 1999	1998	STOCKMANN plc 1999	1998

Schedule of distributable funds Dec. 31

EUR millions	1999	1998	1999	1998
Other funds	**43.7**	43.7	**43.7**	43.7
Retained earnings	**166.4**	162.6	**4.5**	27.5
Depreciation difference entered in capital and reserves	**-60.7**	-76.0		
Net profit for the financial year	**58.6**	45.8	**60.1**	20.2
Total	**208.1**	176.1	**108.3**	91.5

Depreciation reserve

EUR millions	1999	1998
Accumulated depreciation difference included in capital and reserves	**60.7**	76.0
Deferred tax liability	**24.8**	29.6

22. The parent company's share capital is divided between share series as follows

Par value FIM 10	Number of shares	EUR millions
Series A shares (10 votes each)	24 868 893	41.8
Series B shares (1 vote each)	26 514 084	44.6
Total	51 382 977	86.4

23. Bonds with warrants

In 1997, a EUR 0.1 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 EUR 17.18 less the per-share dividends paid after May 1, 1997.

The subscription periods are as follows: 315 000 shares from April 1, 2000, to January 31, 2004, 315 000 shares from April 1, 2001 to January 31, 2004 and 630 000 shares from April 1, 2002 to January 31, 2004.

The subscription price of the shares after the payment of the dividends for the 1997-1998 financial years and the proposed dividend payout for 1999 is EUR 15.30.

24. Loans with maturities longer than five years

EUR millions	STOCKMANN 1999	1998	STOCKMANN plc 1999	1998
Pension loans	**0.5**	16.3	**0.5**	12.7
Other loans		5.0		5.0
Total	**0.5**	21.3	**0.5**	17.8

25. Essential items in accruals and prepaid income

EUR millions	1999	1998	1999	1998
Accrued salaries and wages	**4.5**	4.7	**3.5**	4.1
Accrued holiday pay	**14.0**	14.2	**10.3**	10.7
Final purchase instalment on shares in a real-estate management company		5.4		5.4
Accrued interest	**1.0**	2.8	**0.8**	2.2
Returns provision for mail order sales	**1.1**	1.0		
Accrued taxes	**11.7**		**11.7**	
Accrued rents	**0.8**	0.5		
Other accruals	**6.1**	5.8	**4.7**	3.4
Total	**39.3**	34.4	**31.1**	26.0

26. Creditors

EUR millions	1999	1998	1999	1998
Deferred tax liability	**24.8**	29.6		
Non-current interest-bearing liabilities	**18.1**	86.1	**18.1**	81.1
Current interest-bearing liabilities	**71.0**	22.3	**70.5**	19.7
Current non-interest-bearing liabilities	**154.7**	124.5	**176.3**	153.9
Total	**268.7**	262.5	**264.9**	254.7

NOTES TO THE BALANCE SHEET	STOCKMANN 1999	STOCKMANN 1998	STOCKMANN plc 1999	STOCKMANN plc 1998
27. Security pledged, contingent liabilities and other commitments				
EUR millions				
Security pledged				
Liabilities for which mortgages on real-estate have been lodged as security				
Pension loans Dec. 31	**1.8**	24.5	**1.8**	19.2
Loans from financial institutions Dec. 31		0.2		0.2
Security given	**1.9**	28.0	**1.9**	20.9
Mortgages pledged as security, total	**1.9**	28.0	**1.9**	20.9
Other security pledged for loans of the company				
Mortgages given	**1.8**			
Security pledged	**0.1**	1.7	**0.1**	1.7
Total	**1.8**	1.7	**0.1**	1.7
Security pledged on behalf of Group undertakings				
Real-estate mortgages given				5.3
Guarantees			**0.4**	1.0
Total			**0.4**	6.4
Leasing commitments				
Payable during the 2000 financial year	**0.2**	0.3	**0.1**	0.2
Payable at a later date	**0.2**	0.3	**0.1**	0.2
Total	**0.4**	0.7	**0.2**	0.4
Other own commitments				
Other commitments	**36.2**	31.1	**36.2**	30.5
Commitments, total				
Mortgages	**3.6**	28.0	**1.9**	26.3
Pledges	**0.1**	1.7	**0.1**	1.7
Guarantees			**0.4**	1.0
Other commitments	**36.6**	31.8	**36.4**	30.9
Total	**40.4**	61.6	**38.8**	60.0

28. Pension liabilities

The pension liabilities of Group companies are insured with outside pension insurance companies. The pension liabilities are fully covered.

29. Provisions

Compulsory provisions

In the 1998 and 1999 consolidated accounts, a compulsory provision was not made even though an application had been submitted to the Helsinki District Court in January 1998 according to which a claim for damages was 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 groundless and estimates that the company will not incur an obligation to pay damages in the case.

30. 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 and share price risks on the Group's net profit, shareholders' equity and cash reserves as well as to ensure that counterparty and liquidity risks do not materialize. Financial risk management is handled on a centralized basis by the Treasury unit, with the exception of the risk management of sales financing, which is handled by the profit centre in question.

The risk management policy has been determined by the Board of Directors of Stockmann plc. Financial risk reporting is submitted to the Board of Directors quarterly, and monthly to the top management.

Foreign exchange risk

Stockmann's foreign exchange risk has diminished following the introduction of the euro. Stockmann's foreign exchange risk arises from purchases made in foreign currencies, in which the main purchasing currencies are the USD, GBP, HKD and SEK as well as from sales receivables denominated in RUR and EEK. The management of foreign exchange risk primarily involves a unit-by-unit determination of the cash flow risks relating to individual currencies and on the monitoring of foreign exchange risk, via these units on a company-wide basis, against the euro and thereby against the Finnish markka. In hedging against foreign exchange risk the Treasury uses forward agreements and options.

Interest rate and share price risk
Stockmann's interest rate risk derives from the effect of interest rate changes on the value of investments as well as to the fact that at the end of interest rate periods, assets and liabilities are susceptible to changes in interest rates. The management of interest rate risk involves monitoring the relationship between assets and liabilities in different interest rate periods. The hedging instruments that are used are bond futures, forward rate agreements and options as well as interest rate swaps. Stockmann's share price risk arises from the effect of changes in the price of shares on the value of investments. Stock futures and stock options are used in hedging investments in shares.

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

EUR millions	Underlying amount at the end of the period	Remaining open at the end of the period
Interest rate derivatives		
Forward agreements	105.0	45.0
Foreign exchange derivatives		
Forward agreements	21.7	9.2

If all the derivative instruments had been closed on December 31, 1999, the net result would have been EUR +0.02 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.

Foreign currency forward agreements
Foreign currency forward agreements 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 funds at December 31, 1999, were FIM 1 237.2 million.

The parent company's distributable funds according to the balance sheet at December 31, 1999, were FIM 644.2 million.

According to the Parent Company Balance Sheet at December 31, 1999, the following amounts are at the disposal of the Annual General Meeting:

- retained earnings, including the Contingency fund	286 575 718.33
- net profit for the financial year	357 600 063.51
	644 175 781.84

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

- a dividend of EUR 0.60 per share be paid for the 1999 financial year	183 305 584.70
- to be set aside for benevolent purposes	500 000.00
- to be carried forward to the Contingency fund and Retained earnings	460 370 197.14
	644 175 781.84

Helsinki, March 9, 2000

BOARD OF DIRECTORS

Lasse Koivu

Erkki Etola | Ari Heiniö | Kari Niemistö

Kurt Stenvall | Christoffer Taxell | Henry Wiklund

Auditors' report

To the shareholders of Stockmann plc

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 Stockmann plc for the year ended 31 December 1999. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets, cash flow statements and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and the company's administration.

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

In our opinion, the financial statements have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company result of operations, as well as of the financial position. Consolidated and parent company income statements and balance sheet 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 distributable funds is in compliance with the Finnish Companies Act.

Helsinki, 22 March 2000

Eric Haglund, Authorized Public Accountant

Krister Hamberg, Authorized Public Accountant

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Chief Financial Officer PEKKA VÄHÄ-HYYPPÄ
Company Lawyer JUKKA NAULAPÄÄ
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LEENA LASSILA, Purchasing: Fashion
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