ANNUAL REPORT 2002

STOCKMANN

CONTENTS

Printed in an environmentally friendly process on EMAS certified paper.
Frenckellin Kirjapaino Oy, Espoo 2003

Business is always about understanding customers. The success stories of the future in retail will be companies who don't just offer goods and services, but really listen to customers: understand them, take their problems seriously, are able to predict their wishes and in addition to all this produce memorable experiences. That's what we focus on at Stockmann. At Stockmann we hear the customer's voice.

Stockmann is a Finnish listed company which was established in 1862 and is engaged in the retail trade. It now has about 14 000 shareholders. Customer satisfaction is the central objective of Stockmann's trading in all its areas of business. Stockmann's four divisions are the Department Store Division, the Vehicle Division, the Hobby Hall Division, which is specialized in mail order sales and e-commerce, and Seppälä, a chain of fashion stores. Stockmann operates in Finland, Russia, Estonia, Latvia and Lithuania.

Stockmann Group's core values

PROFIT ORIENTATION

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

CUSTOMER ORIENTATION

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

EFFICIENCY

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

COMMITMENT

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

RESPECT FOR OUR PEOPLE

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

KEY FIGURES

		1998	1999	2000	2001	2002
Sales	EUR mill.	1 461.4	1 583.9	1 467.9	1 537.6	**1 582.3**
Net turnover	EUR mill.	1 216.5	1 319.6	1 220.5	1 281.9	**1 315.3**
Staff expenses	EUR mill.	161.2	166.9	164.8	179.0	**184.9**
Share of net turnover	%	13.3	12.6	13.5	14.0	**14.1**
Profit before extraordinary items	EUR mill.	61.2	86.7	41.2	51.2	**68.6**
Investment in fixed assets	EUR mill.	85.8	64.1	45.1	31.1	**25.8**
Share of net turnover	%	7.0	4.9	3.7	2.4	**2.0**
Total assets	EUR mill.	752.0	773.6	746.8	728.2	**752.7**
Share capital	EUR mill.	86.4	86.4	102.8	102.8	**102.8**
Market capitalization at December 31	EUR mill.	970.1	777.1	559.0	696.0	**710.1**
Dividend paid	EUR mill.	43.2	30.8	30.6	30.6	**45.9** *
Dividend per share 1)	EUR	0.84	0.60	0.60	0.60	**0.90** *
Earnings per share 1)	EUR	0.97	1.14	0.55	0.68	**0.97** **
Equity ratio	%	65.1	65.3	67.2	69.5	**69.7**
Return on equity	%	11.1	11.8	5.6	6.9	**9.6**
Return on capital employed	%	12.9	15.8	8.4	9.8	**12.6**

1) Adjusted for share issues.

*) Board proposal to the AGM. According to the proposal, a dividend of EUR 0.70+0.20 per share will be paid.

**) The dilution effect of options has been taken into account in the 2002 figures.

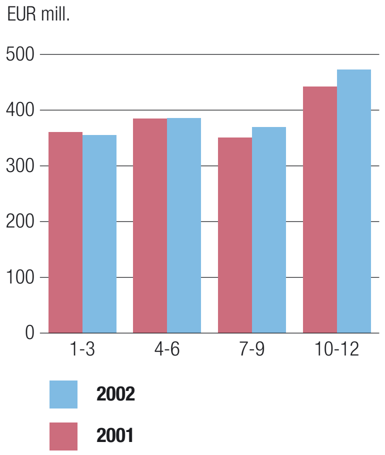
SALES BY QUARTER 2001–2002, EUR mill.

	Q1 2001	Q2 2001	Q3 2001	Q4 2001	Q1 2002	Q2 2002	Q3 2002	Q4 2002
Department Store Division	166.6	174.5	173.0	241.2	181.7	188.1	183.4	258.0
Vehicle Division	103.8	119.6	93.2	92.8	90.5	106.4	98.5	103.4
Hobby Hall	63.5	56.7	50.2	66.9	57.1	56.2	53.5	70.2
Seppälä	26.7	34.0	33.6	40.8	25.7	33.8	33.3	39.9
Real Estate	6.1	6.1	6.0	5.9	6.4	6.8	6.0	4.7
Eliminations	-5.9	-6.3	-5.8	-5.8	-6.3	-6.2	-5.4	-3.4
Total	360.7	384.8	350.2	441.9	355.1	385.2	369.3	472.7

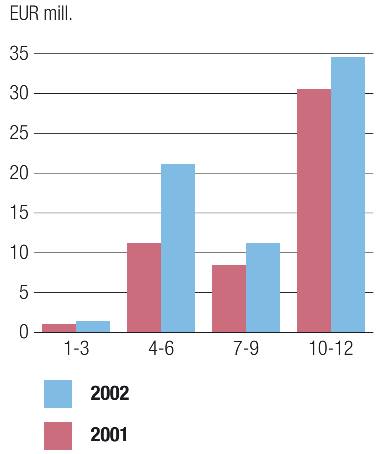
OPERATING PROFIT BY QUARTER 2001–2002, EUR mill.

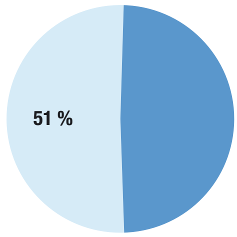
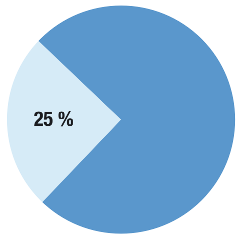
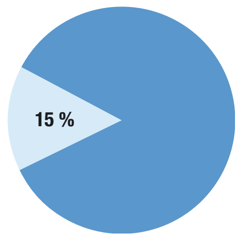
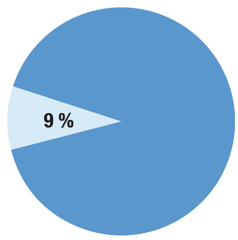
	Q1 2001	Q2 2001	Q3 2001	Q4 2001	Q1 2002	Q2 2002	Q3 2002	Q4 2002
Department Store Division	-0.5	8.1	4.7	21.8	-1.1	7.2	6.0	27.7
Vehicle Division	0.9	0.9	1.3	0.1	1.0	1.4	1.9	1.0
Hobby Hall	-1.2	-1.4	0.3	6.7	-0.7	0.9	-0.7	1.0
Seppälä	-5.0	2.1	1.0	3.6	-2.0	4.4	2.0	6.0
Real Estate	4.3	4.4	3.7	3.8	4.5	4.4	4.0	3.6
Other operating income	6.3	0.0	0.2	0.4	1.7	7.1	0.0	0.0
Eliminations	-4.6	-4.4	-3.4	-8.0	-4.0	-5.2	-3.6	-6.6
Total	0.2	9.7	8.0	28.4	-0.7	20.2	9.7	32.7

Sales by quarter 2001-2002

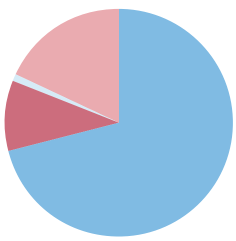


Profit before extraordinary items by quarter 2001-2002



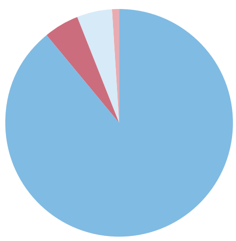
DIVISIONS AND THEIR MANAGEMENT	OFFERINGS	LOCATIONS	SHARE OF STOCKMANN'S SALES
DEPARTMENT STORE DIVISION ***Jukka Hienonen***	Offers customers a knowledgeable shopping environment and good service in a congenial atmosphere. The key to Stockmann's success is a unique and broad assortment of good products at competitive prices.	• 6 department stores, 5 Academic Bookstores, a Zara store and 2 Stockmann Beauty stores in Finland • A department store in Tallinn, Estonia • A department store in Moscow, Russia • A speciality store in Moscow and 2 speciality stores in St Petersburg, Russia	**EUR 811.1 mill.** 
VEHICLE DIVISION ***Esa Mäkinen***	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.	• 11 outlets in the Helsinki metropolitan area: Ford, Volkswagen and Audi cars, a wide selection of trade-in vehicles as well as vehicle servicing and repair centres • An outlet in Turku: Ford dealership, vehicle servicing and repair centre • An outlet in Tampere: Mitsubishi and Skoda dealerships, a wide selection of trade-in vehicles as well as vehicle servicing and repair centre	**EUR 398.9 mill.** 
HOBBY HALL DIVISION ***Henri Bucht***	Hobby Hall offers an easy, reliable and pleasant alternative for buying quality products at affordable prices. Its offerings consist primarily of household and leisure articles.	• Finland's largest mail order sales company and leading online store. 5 stores in Finland: in Helsinki, Espoo, Vantaa and Tampere • Estonia's largest mail order sales company, an online store, 2 stores in Tallinn • Latvia's largest mail order sales company • A mail order sales company in Lithuania	**EUR 237.1 mill.** 
SEPPÄLÄ DIVISION ***Heikki Väänänen***	Offers customers women's, men's and children's apparel as well as cosmetics at reasonable prices. The collections are based on Seppälä's own product design and own brands. Seppälä's expertise rests on the correct combination of basic and trendy products.	• Finland's and Estonia's largest chain of fashion stores • 128 stores in Finland • 14 stores in Estonia	**EUR 132.7 mill.** 

Distribution of operating profit by division



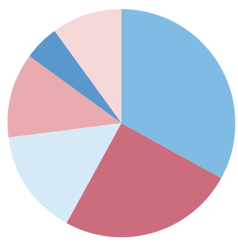
- 71 % Department Store Division
- 10 % Vehicle Division
- 1 % Hobby Hall
- 18 % Seppälä

Sales by market



- 89 % Finland
- 5 % Russia
- 5 % Estonia
- 1 % Latvia

Sales by sector



- 33 % Fashion
- 25 % Motor vehicles
- 15 % Home
- 12 % Food
- 5 % Leisure
- 10 % Books, publications, stationery

JANUARY

• Stockmann opened a new full-service Ford dealership and tyre service outlet along Ringroad III in the Tikkurila district of Vantaa as well as an Outlet oddment store for the department stores.

FEBRUARY

• Stockmann celebrated its 140th birthday on February 1st by putting in a good day's work.

• The Stockmann Exclusive card was launched for key loyal customers. To be eligible to receive an Exclusive card that offers a host of special benefits, one must have annual purchases above a certain level, which is 2 000 euros at present.

• Construction works on the Riga department store got under way in the centre of town. The building will have a total of 32 000 square metres of floor space, of which the retail sales space of the Stockmann department store will come to 11 000 square metres. The building, which also houses – among other attractions – a 14-cinema film centre, will be completed on schedule in autumn 2003.

MARCH

• The Moscow department store was expanded by 1 500 square metres, bringing its retail sales space to a total of about 6 500 square metres.

APRIL

• The Stockmann Account Card became an accepted means of payment at all Alko wines and spirits shops.

• In Helsinki's Aleksanterinkatu, Stockmann opened Finland's first Zara store, which has about 1 600 square metres of retail space.

MAY

• Hobby Hall opened a new store with approx. 1 400 square metres of sales space in Helsinki's Herttoniemi district.

• Hobby Hall opened a new store with more than 1 000 square metres of retail sales space in the Rocca al Mare Shopping Centre in Tallinn.

• The Hobby Hall store in Vantaa's Tammisto district was expanded by 650 square metres, bringing the retail sales space to 2 000 square metres.

JUNE

• The cornerstone of the Riga department store was laid.

• Hobby Hall celebrated its 40th birthday.

• In line with Stockmann's strategy of freeing up capital, the company sold its logistics buildings in Vantaa, which were used by Hobby Hall, to Nordea Life Assurance Finland Ltd. Stockmann rented the properties sold for Hobby Hall's operations by signing a long-term lease with the new owner.

JULY

• The enlargement of the Academic Bookstore in the centre of Helsinki was completed. It comprises an additional floor that provides about 500 square metres of new retail space.

AUGUST

• Stockmann signed a Letter of Intent with Polar Real Estate Corporation and Mutual Insurance Company Pension-Fennia on the leasing of space in the planned extension of the Jumbo Shopping Centre in Vantaa to a Stockmann department store. According to plans, the department store will have about 11 000 square metres of retail sales space. The project is estimated to be completed in 2005.

• Stockmann signed a preliminary agreement with ZAO Znamenskaya, the Russian subsidiary of SPAG of Germany, on the opening of a department store in a modern shopping centre right in the heart of St Petersburg. The department store will be located along Nevsky Prospect, the town's main street. According to plans, it will have about 8 000 square metres of floor space and will be completed in 2005.

SEPTEMBER

• Stockmann's Board of Directors approved a major remake plan for enlargement and modification works on the Helsinki department store. According to the plan, the department store's commercial facilities will be expanded by about 10 000 square metres of retail space both by converting present areas that are in other use to commercial use and by building new space. Completely new goods handling and maintenance areas will be built for the department store as well as access passages to the new customer car-park. After the enlargement, the department store will have about 50 000 square metres of retail space. The project, which is planned for completion in 2007, has been dubbed the "All-time Stockmann".

• The enlargement of the Delicatessen of the Itäkeskus department store was completed. An Alko wines and spirits shop was opened in connection with the Delicatessen.

• When Stockmann's Mitsubishi-Skoda dealership was wound up in the premises in Lauttasaari in June, a servicing outlet and tyre service for Audi, Volkswagen and Ford vehicles was opened in the same premises in September.

OCTOBER

• Stockmann and the Inditex Group of Spain signed an agreement according to which Stockmann received the Zara fashion store chain's franchise rights in the territory of the entire Russian Federation. Russia's first Zara store, with about 1 800 square metres of floor space, will be opened in the Mega Shopping Centre in Moscow in spring 2003.

• Stockmann announced that in spring 2003 it would open new Zara stores in Helsinki's Itäkeskus shopping centre and at the Hansa Block shopping centre in the centre of Turku.

• Hobby Hall launched a programme of measures with the aim of improving profitability by achieving cost savings of about 6 million euros.

NOVEMBER

• The first stores of the Stockmann Beauty cosmetics chain were opened at the Trio shopping centre in downtown Lahti and at the Jumbo Shopping Centre in Vantaa.

• Hobby Hall's pilot marketing of mail order sales was launched in Lithuania.

• Stockmann's Board of Directors approved the Group's new environmental policy.

DECEMBER

• Mr Jukka Hienonen, M.Sc. (Econ.), director of the Department Store Division was appointed Group Executive Vice President effective January 1, 2003. Hienonen's operational area of responsibility as the director of the Department Store Division remained unchanged. The managing director of Hobby Hall, Mr Henri Bucht, M.Sc. (Econ.), continues his post as the other of Stockmann's two executive vice presidents and as the CEO's alternate.

INFORMATION FOR SHAREHOLDERS

ANNUAL GENERAL MEETING

The 2003 Annual General Meeting of the shareholders of Stockmann plc will be held on Tuesday, March 25, 2003, 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 March 20, 2003, at 4.00 p.m., telephone +358 9 121 3955 or e-mail agm@stockmann.fi.

Those shareholders are entitled to participate in the Annual General Meeting, who have been entered, no later than on March 14, 2003, 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 0.70 per share and a bonus dividend of EUR 0.20 per share in honour of the company's 140th jubilee year or a total of EUR 0.90 per share be paid for the 2002 financial year. The dividends decided by the Annual General Meeting will be paid to a shareholder who on the record date for dividend payment, March 28, 2003, has been entered in the Shareholder Register kept by Finnish Central Securities Depository Ltd. The Board proposes to the Annual General Meeting that the dividends be paid on April 4, 2003, 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 2003:

- January-March Interim Report April 24, 2003
- January-June Interim Report August 12, 2003
- January-September Interim Report October 28, 2003

In addition to these reports, we will release a monthly report on the sales of the units.

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

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

INVESTOR RELATIONS:

e-mail investor.relations@stockmann.fi

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P.O. Box 220, FIN-00101 Helsinki, Finland
Telephone +358 9 121 3089
Fax +358 9 121 3153
e-mail info@stockmann.fi

INFORMATION ON STOCKMANN FOR INVESTORS

According to information we have received, the analysts mentioned below follow Stockmann on their own initiative. The list may be incomplete. Stockmann does not assume responsibility for analysts' assessments.

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Earnings improve in line with strategy

Economic growth in Finland in 2002 was slower than forecast. Consumers' confidence in the outlook for their own finances nevertheless remained high, though it did falter a bit during the autumn. Economic growth in the Baltic countries and Russia was clearly faster than in Finland.

Despite the general trend in the domestic market, the Stockmann Group achieved all its main objectives. All the divisions except Hobby Hall improved their operational result significantly. Implementation of the real-estate strategy aiming at peeling off non-strategic properties was continued, principally by selling the logistics buildings that are used by Hobby Hall, thereby adding to other operating income. Consolidated profit before extraordinary items was EUR 68.6 million, improving by more than a third on the previous year. The return on investment grew from 9.8 per cent to 12.6 per cent and operating profit increased from 3.6 per cent to 4.7 per cent. Although the figures were still below the long-term financial targets, which are a 15 per cent return on investment and a 5 per cent operating profit margin, the direction is right. Reaching our targets in 2004 in line with the original timetable is thus a realistic goal.

The Stockmann Group's sales last year totalled EUR 1.58 billion. Sales grew by EUR 44.7 million, or 3 per cent, although Seppälä's operations in Sweden were wound up by February and four of the Vehicle Division's Mitsubishi-Skoda dealerships were divested in the latter part of 2001 and in spring 2002.

ENGINES OF PROFIT: THE DEPARTMENT STORE DIVISION, THE VEHICLE DIVISION AND SEPPÄLÄ

The Department Store Division continued its impressive performance in spite of the burden of establishing new retail units. The division's sales grew substantially, and the record profits posted in the previous year rose by 17 per cent. Operations developed favourably both in Finland and abroad. International Operations now rose to a 15 per cent share of the division's sales.

The aggregate new car market grew by about 7 per cent. The clear-cut objective of Stockmann's Vehicle Division was to get its profitability heading upward. It accomplished this splendidly. Although the Vehicle Division discontinued four outlets, and its aggregate sales came in slightly below the previous year's, it reported the best operating profit in its history. The return on investment improved and rose to 13.5 per cent. Order bookings for new vehicles grew strongly in the latter part of the year and this will pave the way for good financial performance in 2003.

Unit-volume deliveries in the aggregate distance retail market contracted by 7.5 per cent in Finland during the year. A similar trend was also evident in Estonia and a number of other European countries. Although Hobby Hall's sales outpaced the market by a good margin, they fell markedly below previous forecasts. This meant that the division's result was clearly below budget and smaller than the earnings reported a year earlier. Hobby Hall has become the market leader in distance retailing in three countries already, and its webstore is Finland's largest in terms of sales. The growing proportion of online sales nevertheless largely represents a migration from traditional mail order sales. This means that the company's cost structure is too heavy, and energetic efficiency boosting will be needed to remedy the situation. Hobby Hall has accordingly launched a programme with the objective of achieving cost savings of 6 million euros during 2003.

The Group's biggest bright spot during the year was the buoyant upswing in Seppälä's earnings, as the company regained its position among Finland's most profitable retailers. Sales in Finland and Estonia grew, and thanks to the overhauled purchasing and assortment strategy, the gross margin improved considerably. Since costs were also kept well under control and the discontinued operations in Sweden no longer burdened the result, operating profit rose six-fold and the return on investment soared to 52.4 per cent.

OUR STRATEGY HINGES ON PROFITABLE GROWTH

The Group's strategy over the next few years is to grow profitably both in Finland and in the Baltic countries as well as Russia. Growth in Finland will be achieved mainly through the Department Store Division's operations. The enlargement and modification project in the Helsinki department store, which has been christened "The All-time Stockmann" project, will add about 10 000 square metres of new commercial space as well as new logistics and parking areas. With its estimated 90 million euro price tag, it is the company's biggest-ever single investment since the original department store was built. The fourth Stockmann department store in the Helsinki metropolitan area will open in the extension to the Jumbo Shopping Centre in 2005. The expansion of the Zara and Stockmann Beauty chains will also bring additional volumes in Finland.

The accession of the Baltic countries to membership of the EU in 2004 and the favourable development of the Russian economy mean that these market areas will gain increasing weight within the Stockmann Group. The Department Store Division has received Zara franchising rights in the territory of the entire Russian Federation, and the first Zara store will be opened in Moscow in late February or early March. As plans now stand, a Stockmann department store will be opened in St Petersburg in 2005. In the Russian market there is potential for opening quite a few department stores, particularly in Moscow. Of Stockmann's divisions, only the Vehicle Division's strategy does not aim for expansion abroad. By contrast, Hobby Hall is the market leader in distance retailing not only in Finland but also in Estonia and Latvia, and it has started operations in Lithuania. Seppälä is Estonia's largest chain of clothing stores, and it plans to launch operations in Latvia during the current year. For both Hobby Hall and Seppälä, Russia is a prominent strategic opportunity for expansion. According to our strategy, in five years' time about a third of the Group's sales will come from abroad.

A BONUS DIVIDEND FOR THE JUBILEE YEAR

Notwithstanding the future capital expenditures that will be made, the Group's positive earnings trend, strong balance sheet structure and good cash flow enable Stockmann to continue its policy of paying a good dividend. A dividend payout of EUR 0.70 and a bonus dividend of EUR 0.20 to commemorate the company's 140th jubilee year, in accordance with the Board of Directors' proposal, are a concrete indication of this.

Despite the difficult year on the equity market, the company's market capitalization grew by about two per cent during the year and stood at EUR 710.1 million at the close of the year, whereas the Helsinki Exchanges' HEX Portfolio Index fell by nearly 17 per cent over the same period. There was increased interest in the company's share, which was evidenced by the fact that 23.2 per cent of all the Series B shares changed owners during the year. The proportion of foreign shareholders also grew markedly, though it still remained at a modest level. One of the Group's objectives for the future is a positive trend in shareholder value.

TARGETING HIGHER EARNINGS IN 2003

Over the past two years the Stockmann Group's earnings have improved by a total of nearly 70 per cent. Although the economic outlook remains uncertain, our objective is to improve earnings further in accordance with the strategy we have adopted. In particular, Hobby Hall's profits are expected to rebound strongly as a consequence of its cost-cutting and restructuring programme. The Group's objective is to post profit before extraordinary items in 2003 that exceeds the previous year's result.

For my own part and on behalf of Stockmann's entire management, I wish to thank our customers for the confidence they have shown in us and the fine staff of all the Group's units for an excellent performance during 2002.

Helsinki, February 12, 2003

Hannu Penttilä


Lasse Koivu


Erkki Etola


Erik Anderson


Eva Liljeblom


Kari Niemistö


Christoffer Taxell


Henry Wiklund


Jan Nordqvist


Lea Musone

BOARD OF DIRECTORS

CHAIRMAN
Lasse Koivu
(b. 1943), B.Sc.(Econ.), managing director, Föreningen Konstsamfundet rf. Member of the Board since 1991, due to resign in the spring 2003.
Shares B 1 675

VICE CHAIRMAN
Erkki Etola
(b. 1945), M.Sc.(Eng.), managing director, Oy Etola Ab. Member of the Board since 1981, due to resign in the spring 2005.
Shares A 1 841 676, B 991 587

Erik Anderson
(s. 1943), LL.M., Member of the Board since 2001, due to resign in the spring 2004.
Shares B 5 067

Eva Liljeblom
(b. 1958), D.Sc.(Econ.), professor, Svenska Handelshögskolan. Member of the Board since 2000, due to resign in the spring 2003.
Shares A 243, B 832

Kari Niemistö
(b. 1962), M.Sc.(Econ.), managing director, Selective Investor Oy Ab. Member of the Board since 1998, due to resign in the spring 2004.
Shares A 2 546 622, B 1 131 075

Christoffer Taxell
(b. 1948), LL.M., ministeri*. Member of the Board since 1985, due to resign in the spring 2003.
Shares A 2 250, B 2 255

Henry Wiklund
(b. 1948), kamarineuvos*, managing director, Svenska litteratursällskapet i Finland rf. Member of the Board since 1993, due to resign in the spring 2005.
Shares A 720, B 2 107

PERSONNEL REPRESENTATIVES ON THE BOARD APRIL 1, 2002 – MARCH 31, 2003

Jan Nordqvist
(b. 1969), M.Sc.(Econ.), system manager, financial administration. Personnel representative on the Board, elected by Stockmann's senior salaried employees.

Lea Musone
(b. 1942), salesperson, Itäkeskus department store. Personnel representative on the Board, elected by the Group Council.

AUDITORS

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

Wilhelm Holmberg
(b. 1950), M.Sc.(Econ.). Stockmann's regular auditor since 2000.

DEPUTY AUDITOR
KPMG Wideri Oy Ab

* a Finnish title


Hannu Penttilä


Henri Bucht


Jukka Hienonen


Pekka Vähähyyppä


Esa Mäkinen


Heikki Väänänen


Jukka Naulapää

MANAGEMENT COMMITTEE

Hannu Penttilä
(b. 1953), LL.M., CEO.
Shares A 105, B 124
Options 1997: 26 858, 2000: 150 000

Henri Bucht
(b. 1951), M.Sc.(Econ.), executive vice president with responsibility for the Hobby Hall Division.
Shares A 130, B 66
Options 1997: 12 000, 2000: 100 000

Jukka Hienonen
(b. 1961), M.Sc.(Econ.), executive vice president with responsibility for the Department Store Division.
Shares A 1 600, B 4 500
Options 1997: 11 768, 2000: 100 000

Pekka Vähähyyppä
(b. 1960), M.Sc.(Econ.), CFO.
Shares B 1 000
Options 1997: 6 000, 2000: 80 000

Esa Mäkinen
(b. 1959), M.Sc.(Econ.), director with responsibility for the Vehicle Division.
Options 1997: 3 856, 2000: 80 000

Heikki Väänänen
(b. 1958), M.Sc.(Econ.), managing director, Seppälä Oy.
Shares B 2000
Options 1997: 3 856, 2000: 80 000

Jukka Naulapää
(b. 1966), LL.M., company lawyer, secretary of the Management Committee.
Options 1997: 6 170, 2000: 20 000

The Stockmann plc shares and options in the personal ownership of the members of the Board of Directors and the Management Committee as well as in the ownership of institutions under their control and persons under their guardianship at December 31, 2002, are reported exclusive of the 1999 Loyal Customer options, a total number of 973 of which were in the ownership of the members of the Board and a total number of 727 in the ownership of the members of the Management Committee. Information on Stockmann plc shares and options on page 41 of the Annual Report.

"We were pals all the way back in nursery school and we've sworn that when we're grannies we'll still be friends and we'll go downtown together every day. We'll do our hair properly and get our makeup right, then meet under the clock at Stockmann's, clown around, hang out for hours and hours in the café, tell each other secrets. All those little moments of friendship we'll never give up!"

The department stores report steady growth

The Department Store Division's sales inclusive of VAT were EUR 811.1 million, up 7 per cent on the previous year. The division had net turnover of EUR 679.3 million.

Compared with the prospects for the world economy that are looking ever gloomier, consumer demand held up well in the Department Store Division's market areas in Finland, Russia and the Baltic countries. Finns' belief in the sustainability of their own finances was clearly better than in the EU area on average. The low and stable level of interest rates ushered in by the euro coupled with a continued fairly even level of employment made the economy more predictable, thereby propping up the positive economic trend in the domestic market.

Sales by the department stores in Finland and the Academic Bookstores were EUR 680.9 million, an increase of EUR 33.4 million, or 5 per cent. The strongest growth at the annual level (7 per cent) was racked up by the department store in Helsinki's Itäkeskus Shopping Centre. The construction works in progress nearby the department stores in the centre of Helsinki as well as Tapiola and Turku hampered sales somewhat, and the sales figures fell short of targets.

Sales by the International Operations units grew by 14 per cent to EUR 122.5 million, rising to 15 per cent of the entire Department Store Division's sales. In Russia consumers' disposable income increased by 10 per cent and especially in St Petersburg, growth outpaced this clearly owing to the low initial level. The Department Store Division's sales in Russia totalled EUR 80.3 million, up 16 per cent. Measured in US dollars, which are used as the pricing currency in Russia, growth was 18 per cent. In Estonia consumers' disposable income grew by 7 per cent, and the increase in the Tallinn department store's sales was 9 per cent.

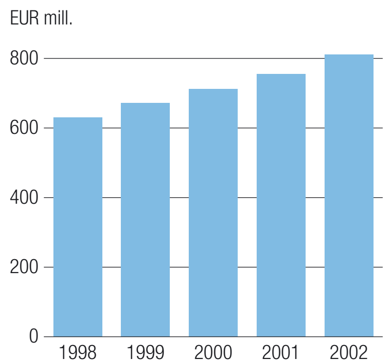
MANAGING STOCKS AND COSTS

Because market growth was slow due to the general economic trend, the focus of operations was on controlling margins and costs. The relative gross margin of the department stores improved further and was now 39.4 per cent. This was achieved largely thanks to stock management efficiency: through judicious purchasing Stockmann succeeded in keeping stocks in check, with only a reasonable amount of goods left over for discount sales. Aided by forward exchange contracts, the effects of the fall in the dollar on earnings generated by International Operations remained minor.

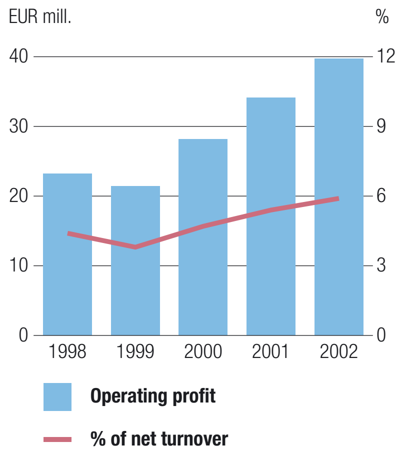
The increase in costs in Finland was reined in through more precise work-shift planning by adjusting working hours to be

Stockmann's department stores in the centre of Helsinki and in the Itäkeskus Shopping Centre in eastern Helsinki, Tapiola in Espoo, Oulu, Tampere and Turku along with five Academic Bookstores in the department store localities offer customers a knowledgeable shopping environment and good service in a congenial atmosphere. The key to Stockmann's success is a unique and broad assortment of good products at competitive prices. The International Operations units comprise department stores in Tallinn and Moscow together with one speciality store in Moscow and two in St Petersburg. The Department Store Division has broken new ground with the launch of the Stockmann Beauty cosmetics chain and the Zara stores that feature top world-class fashion.

Development of the Department Store Division's sales 1998-2002



Development of the Department Store Division's operating profit 1998-2002



KEY FIGURES

DEPARTMENT STORE DIVISION, EUR mill.	2002	2001	change %
Sales	**811.1**	755.4	7
Proportion of Group Sales, %	**51.3**	49.1	
Operating profit	**39.7**	34.1	17
Return on capital employed, %	**21.0**	19.0	
Capital employed	**189.0**	179.2	5
Investments	**10.1**	19.0	
Staff, December 31	**6 243**	6 120	2
Sales area, square metres	**115 087**	110 329	4

The enlargement of the Helsinki department store's commercial space via the "All-time Stockmann" project will include a glazed atrium that forms a vertically rising court.

The platinum-coloured Stockmann Exclusive Card had an enthusiastic reception.

Premium customers capitalized on the advantageous Exclusive shopping days beyond expectations, and per-day sales jumped many-fold.

in line with customer volumes. Other fixed costs and capital expenditures too were adjusted to meet the conditions of slower growth in the market. Since the increase in expenses was held to 7 per cent and kept below the growth in the gross margin (9 per cent) the division's operating profit rose to EUR 39.7 million. The record earnings posted in 2001, EUR 34.1 million, were thus topped by EUR 5.6 million and 17 per cent.

The Department Store Division's operating profit improved both in Finland and abroad. Of the division's units, only the newest ones, i.e. the Oulu department store, Stockmann Beauty and the Zara store, had a negative operating result owing to the fact that their operations were still getting under way. All the International Operations units were in the black.

HEFTY SIZE AND FOREIGN CHAINS

In recent years, the consolidation in the retail trade has been marked by two dominant trends. Retailers and customers have gravitated towards bigger unit sizes, and at the same time the number of foreign companies has increased significantly. A number of the chains have the backing of a strong international parent company that has both a well-functioning operational concept and the readiness to absorb the costs of going after new markets. Amongst the newcomers, there are companies that have achieved profitable business operations very quickly. During 2002 it nevertheless became increasingly apparent that the earnings of many companies who had come to Finland's shores had fallen far below the level of profitability. For many of them this has meant a reassessment of their expansion plans, and some have even withdrawn from the Finnish market. Keener competition is a challenge for all the companies in the industry, but it is a particular problem for those whose concept and profit-generating ability are not in good shape. Compared with past years, we are likely to see increased M&A activity in the form of acquisitions, divestments, closures and changes of business locations.

FASHION'S HEADIER BEAT

Product life cycles in the retail trade have shortened. This is especially true of fashion. Customers want first grabs on new items and they are also ready to pay a decent price for them, providing the goods are just right and offered in the right place at the right time. In this process, the entire supply chain must be capable of much faster response times and also be able to forecast future needs. There must be an open and fast exchange of information between retailers and industry. The sharing of risks across the players in the supply chain has also taken on new forms, and logistics has become an ever more central means of competing in the fashion arena, as elsewhere.

Retailers have expected volume growth as a consequence of the increase in and greater variety of fashion offerings. In the EU area, Finland brings up the rear in consumption of fashion products per household. Young people's purchasing habits are now changing towards the European model, but the adult population still spends a fairly small amount of its income on personal attire. Not even the rise in the standard of living over the past decade has made much of a change in Finns' attitude towards clothing and fashion. On the other hand, population ageing and the overall trend towards grooming and well-being have made cosmetics sales one of the fastest growing retail areas in Finland.

REFURBISHMENT OF THE DEPARTMENT STORE CHAIN REACHES COMPLETION

Since the retail space of nearly all the department stores remained on a par with last year, the sales growth figures were fairly moderate. Sales by the department stores in the centre of Helsinki and in Tapiola were at the previous year's level. In part this was attributable to the extensive construction works that were going on in the immediate vicinity of both sites. In the Helsinki metropolitan area the building of new retail capacity has had the biggest effect on the sales of these two largest department stores in Finland. By contrast, the Itäkeskus department store increased its sales by 7 per cent. The Tampere and Turku department stores both grew at a rate of 4 per cent. Sales by the Oulu department store during its first full year of operation came to only EUR 36.6 million, which was clearly below the target set when the investment was decided upon. During the last quarter of 2002 the Oulu department store performed the fastest growth in the chain; the sales were up a hefty 15 per cent. This strengthens our belief in reaching the original sales target – albeit with a lag of a few years.

The completion in August of the refur-

The Riga department store will be completed on schedule in autumn 2003.

The Itäkeskus department store's own new delicacy kitchen serves up meal portions, salads and other delicious fare that delight customers.

bishment of the Delicatessen in the Itäkeskus department store, the opening of an Alko wines and spirits shop in connection with it as well as the signing in December of a lease agreement on the opening of an Alko adjacent to the Delicatessen in the Tapiola department store created the final underpinnings of a unified chain in which all the high quality ingredients for culinary enjoyment can be found under the same roof. Thanks to its unique Delicatessen concept and its professionally skilled staff, Stockmann has succeeded in increasing further its sales of convenience goods clearly faster than the market trend. The 10 per cent annual growth in the sales of Stockmann's Delicatessens was exceptional in this otherwise fairly stable field. Stockmann intends to continue the development of high-calibre food sales by adopting further new ideas from around the world and by offering them to meet the Finnish consumers' everyday and festive needs. The entire enterprise resource planning (ERP) system of the Delicatessens was renewed during the year and the first concrete benefits of this are expected to show up during 2003 in the form of improved goods turnover and profitability.

MARKETING IN OWN HANDS

The Stockmann department stores' marketing communications have been developed further by deploying the resources of an in-house advertising agency. The Department Store Division feels that marketing communications are such an integral part of its own core expertise that it has not entrusted this function to any outside advertising agency. This arrangement is a way of achieving very good cost-effectiveness, and furthermore, customer communications contribute to a clearly identifiable Stockmann image that is built for the long term. This is best reflected in the regular Loyal Customer marketing and in successful campaigns that are carried out from one year to the next.

The total number of Loyal Customers at the end of the year was 850 000, of whom 725 000 were in Finland. The Department Store Division registered a new field by adding to the Stockmann Account Card a feature which makes it the only retailers' own card that is accepted for payment at Alko wines and spirits shops. The development of the Loyal Customer concept reinforced the customer relationship with nearly 90 000 cardholders in Estonia and 35 000 in Russia. Towards the end of 2001 a new type of mobile services package, Stockmann Dial, was started together with Radiolinja and offered to Stockmann's Loyal Customers. Demand for the package met the expectations that were set for it, and Dial customers were able to benefit from special offers that were beamed solely at them. In future Stockmann wants to be in the vanguard in developing products and services in which mobile technology and the retail trade find each other in a way that benefits customers.

Stockmann has consciously avoided developing its own bonus points systems because it does not believe they have a mentionable effect in leading customers to consolidate their purchases, and the costs of the system inevitably end up being high. Instead, Loyal Customers enjoy selected and timely special offers that bring them significant added value. This has boosted average purchases further and improved purchasing loyalty. Holders of the Stockmann Exclusive card that was launched in February will be offered a special shopping day twice a year, entitling them to a 10 per cent discount on nearly the entire department store's assortments.

The best means of spawning new customer relationships is via the now legendary Crazy Days. During these four days, sales roughly quadruple from their normal level. In 2002 all previous records were beaten again. The autumn Crazy Days registered a whopping 11 per cent growth on the previous year. Beyond a doubt, the Crazy Days have become known as Finland's most important single retail campaign, whose growth only seems to be reinforced by the emergence of numerous copies.

THE ALL-TIME STOCKMANN

In September the company's Board of Directors decided to begin implementing an enlargement project for the Helsinki department store that has been planned for years now. It submitted an application for a change in the town plan to the city authorities. The cost estimate for the project, which has been dubbed "The All-time Stockmann", is 90 million euros and when it is carried out, the Helsinki department store's retail space will be increased by a hefty 10 000 square metres. With its present 40 500 square metres of retail space and annual sales of EUR 393 million (incl. tenants), the Helsinki Stockmann is already Europe's sixth largest department store. Its

A stylish and attractive store is an essential part of the Zara concept.

Customers have taken a shine to the new 3rd floor of the Academic Bookstore in the centre of Helsinki. The premises were refurbished for retail use in the spirit of the building's designer, Alvar Aalto.

worst bottlenecks are obsolescent logistics areas, the cramped Delicatessen department, insufficient parking capacity and narrow aisles. The massive capital expenditure programme for the "All-time Stockmann" project will provide solutions to all these problems. If the town plan modification process can be carried out in about a year, it will be possible to start up the construction works in early 2004. By staggering the construction works, the inconveniences caused to commercial operations can be minimized, but to accomplish this the actual construction period will have to stretch out over about three years.

GOING FOR GROWTH BY GOING INTERNATIONAL

The growth in operations abroad accelerated compared with the previous year and again clearly outstripped the rate in Finland. The low initial level of the national economies in Russia and the Baltic countries will for years ahead make possible faster sales growth than in the domestic market. Russia's economy has received a boost from the high price of oil, but an even greater growth impulse is expected when Russian capital gradually begins to move back into domestic investments. The operating environment in Russia has shown some signs of stabilizing and, notably, in taxation matters there appears to be a willingness to change procedures in a more rational direction. Although the country is still in every respect a high-risk area and there is a considerable amount of extra causes of friction in day-to-day operations, Russia is nevertheless the largest potential growth area for Stockmann. Thirteen years of uninterrupted operations have given Stockmann a significant lead in Russia: among other things, two thirds of the aggregate 15 million population in Moscow and St Petersburg recognize the company.

The economic and political integration of Estonia with the west has continued ahead energetically and the country is one of the Baltic and east European states that will accede to membership of the EU in May 2004. Liberal economic policy has made Estonia an attractive investment target and, significantly, this has transformed Tallinn's street scene thoroughly in the space of a few years. Competition in the retail trade has hotted up surprisingly fast and, especially for Finnish retailers, it has been easy to expand into Estonia thanks both to the short distance and the countries' cultural and linguistic kinship.

NEW UNITS OPEN

In November Stockmann opened the first Stockmann Beauty cosmetics boutiques in the Jumbo Shopping Centre in Vantaa and the Trio Shopping Centre in Lahti. The aim is to develop Stockmann Beauty into a successful nationwide chain of speciality stores in the fast-growing cosmetics market.

At the beginning of 2002 Stockmann established along Ring Road III in Vantaa a separate Outlet oddment store whose main purpose is to sell products that are left over from the assortments of the department stores at discounted prices. The store's "Go Hunting" slogan was highly effective in getting customers to go out shopping, and Outlet's sales clearly exceeded the budget for the first year. With its lean cost structure, Outlet has peeled off post-season stocks efficiently and thereby made a significant contribution in enabling the department stores to reach their gross margin targets.

ZARA ON THE MARCH IN FINLAND AND RUSSIA

In June 2001 Stockmann signed with Spain's Inditex Group a franchising agreement on bringing the Zara chain to Finland. The first 1 600 square metre Zara fashion store was opened in April 2002 in Aleksanterinkatu in the centre of Helsinki, right across from Stockmann's main entrance. Although it is one of the Zara chain's principles not to advertise at all, the store got off to a very strong start, and Finnish customers quickly found Zara's trendy fashions with their fast turnover rates. During the year the chain was developed further when agreements were signed on the opening of Zara stores in Helsinki's Itäkeskus Shopping Centre and in Turku's Hansa Block. In October 2002 Stockmann also signed a franchise agreement on implanting Zara stores in Russia. The country's first Zara store will be opened in the Mega Shopping Centre in Moscow in late February or early March 2003. Zara has good growth potential in Finland's largest cities as well as in Moscow and St Petersburg.

SITES ABROAD FOR THE NEXT DEPARTMENT STORE PROJECTS

The competitive advantage of Stockmann department stores is based on superior assortments and high-quality service in a congenial shopping environment. In order for a department store meeting this description to operate profitably, there must be sufficient purchasing power in the sur-

Stockmann's St Petersburg department store will be in a handsome, centrally located building.

The appealing look and professional service of the Stockmann Beauty shops offer good potential for developing the new cosmetics chain.

rounding area, preferably with the customer potential of a quarter-million population, and the department store must reach annual sales of about 50 million euros. The last gap in Finland meeting these requirements has been in the northern part of the metropolitan Helsinki area. Under the terms of a Letter of Intent signed in August 2002, this gap will be filled by a Stockmann department store to be located in the Jumbo Shopping Centre in Vantaa. As plans now stand, its opening will be in autumn 2005. Thereafter it will be difficult to find in Finland a large enough concentration of customer potential for opening a new Stockmann department store in accordance with the present business concept.

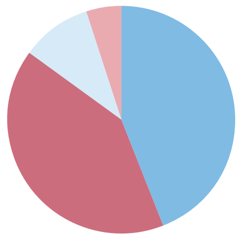
In Finland's nearby areas in the Baltic Rim and in Russia the development of the retail trade had been at a standstill for decades until in the 1990s the formation of a market economy set in motion, in quick succession, unprecedentedly intensive investments in the retail trade. Stockmann has seen in this trend a great strategic opportunity and has been amongst the first to set up speciality stores and department stores in the region's largest cities: Moscow, St Petersburg and Tallinn. The next new Stockmann department store will open its doors to customers in Riga, Latvia's capital city, in autumn 2003.

A preliminary agreement has been signed on opening an 8 000 square metre Stockmann department store that will be located in the shopping centre to be built along Nevsky Prospect in the centre of St Petersburg. The department store is to open towards the end of 2005. Negotiations on financing for the real-estate project are in progress between the German owner company SPAG and international financial institutions. After this project too, Stockmann will still need to find high-calibre retail locations, particularly in Moscow, whose market of 10 million people and compact town structure offer growth opportunities for department store operations for years to come.

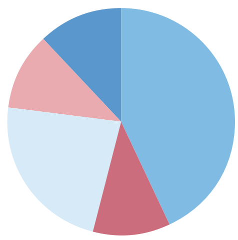
OUTLOOK FOR 2003

During the past three years the Department Store Division's profits have grown by 85.7 per cent. Following the completion of the enlargement of the Helsinki department store and the opening of the Jumbo department store, Stockmann's department store network in its present form will be fully built out. The greatest challenges lie in the area of creating an international presence in Russia and the Baltic countries. By developing further its strong brand as well as the service reputation that has been forged in daily retail work, Stockmann can produce for its customers and partners in co-operation added value that knits an ever stronger relationship with them. By setting ambitious targets and motivating our staff to exceed their previous performance, the Department Store Division believes that also in conditions of slow market growth it will be able to improve earnings and rank in terms of profitability amongst top companies in the retail trade in Finland as well as in the department store sector in Europe. Although the division's earnings have in recent years risen rapidly and achieved a record level for two years running, the objective is to improve operating profit further in 2003.

Distribution of the Department Store Division's sales by unit in 2002



Distribution of the Department Store Division's sales by sector in 2002



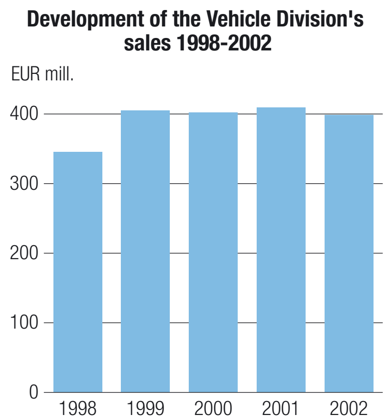
"At this stage of life the pace only seems to accelerate. Staying active with sports, getting together with friends and spending weekends at the summer house – the calendar fills up quickly. And of course there are the grandchildren, who have already been promised that next summer we'll drive to Legoland in Denmark by way of Sweden's Kolmården Zoo. It's a good time now when we can do things we've always wanted to do and have the chance to concentrate on the quality of life."

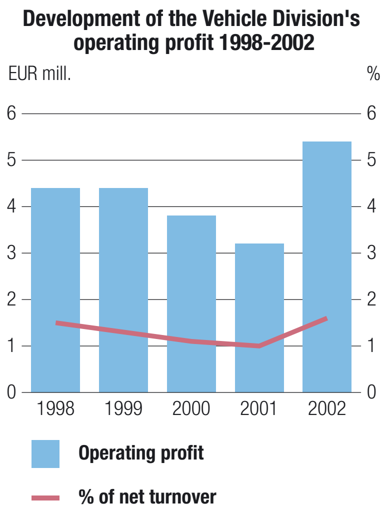
Development – on profitability's terms

The motor trade expected unit sales of about 100 000 cars in 2002. This would have been markedly less than in the previous year, when 109 428 new cars were sold. Underlying these expectations was concern over major changes to the tax structure applicable to new cars, the taxation of imported used vehicles as well as the EU's Block Exemption for the motor trade. Actual sales amounted to 117 034 vehicles, up 7 per cent on the figure a year earlier. This was a positive surprise for the motor trade, because the tax discussion had gone on all autumn, and the Cabinet did not make a proposal on changes to the vehicle tax structures until the last days of the year. The growth figure points to the pent-up demand among car buyers. Registrations of vans were at the previous year's level, as expected: 12 891 new vans were registered, or 0.2 per cent more than in 2001. In particular, the readiness of private customers to buy a car improved. Registrations of cars in the Helsinki metropolitan area were at a lower level than in 2001 up to August, but growth in the latter part of the year was so strong that the number of registrations over the full year was 4.4 per cent higher than in 2001. The number of company car registrations in the Helsinki metropolitan area was down 6 per cent on the previous year. As for private customers, the number of registrations grew by a hefty 16 per cent. The fact that sales of company cars were strongly centred on the Helsinki metropolitan area was reflected in a more subdued market trend than in other parts of the country.

Stockmann's Vehicle Division, with its roughly 24 per cent share of new car sales, was the clear market leader in the Helsinki metropolitan area. Of the marques which the Division deals in, Volkswagen showed the second-biggest increase in sales, in unit-volume terms, in the metropolitan area. Audi reached its best-ever sales volume. Ford sales fell slightly short of the previous year's figures and it ranked right after Volkswagen as the third most popular make of car in the

Stockmann's Vehicle Division serves its customers in the Helsinki metropolitan area through eleven Audi, Ford and Volkswagen sales outlets. In the Turku economic area the Vehicle Division operates a Ford dealership and in Tampere it has a Mitsubishi and Skoda dealership. The Vehicle Division's strengths are an organization staffed by service-minded professionals, high-quality products and versatile services. The division's success is based on reliable operations and good customer relationships that have been built up over the years.





KEY FIGURES

VEHICLE DIVISION, EUR mill.	2002	2001	change %
Sales	**398.9**	409.4	-3
Proportion of Group Sales, %	**25.2**	26.6	
Operating profit	**5.4**	3.2	66
Return on capital employed, %	**13.5**	5.4	
Capital employed	**39.7**	59.2	-33
Investments	**0.6**	1.1	
Change of leasing assets	**-0.8**	0.0	
Staff, December 31	**736**	731	1

The sporty Audi S4's power gets a grip on the road thanks to its quattro 4-wheel drive. The Audi S4 comes in a sedan model and a sleek Avant version.

Volkswagen is extending its line into off-road vehicles. The Volkswagen Touareg excels in the off-road class.

The Ford Transit Connect is Van of the Year in 2003.

metropolitan area. In Turku, Ford maintained its position as the area's second most popular marque. In used car sales, the Tampere outlet turned in a hefty 64 per cent increase, though sales of new vehicles remained at the previous year's level. After the Lauttasaari outlet's vehicle sales were wound up in June, the Tampere dealership is now the Stockmann Vehicle Division's only outlet that markets Mitsubishi and Skoda vehicles.

The Vehicle Division delivered a total of 8 965 new vehicles, down 7.7 per cent on 2001. The number of trade-in vehicles sold was 7 917 (down 8.6 per cent). The Ford product line delivered 4 327 (down 13 per cent), the Volkswagen product line 3 554 (up 14.8 per cent), the Audi product line 819 (up 19 per cent) and the Mitsubishi-Skoda product line 265 (down 72 per cent) new vehicles. The Vehicle Division had euro-denominated sales of EUR 398.9 million, down EUR 10.5 million, or 3 per cent. The biggest factor affecting the fall in sales was the discontinuance of the Mitsubishi-Skoda product line in the Helsinki metropolitan area and in Turku. The division reported net turnover of EUR 328.3 million, compared with EUR 337.2 million a year earlier.

The division succeeded in improving profitability through measures such as stepping up the used car functions. Particular attention was paid to the size and age structure of inventories. The return on the Vehicle Division's capital employed improved from the previous year's 5.4 per cent to 13.5 per cent. Despite the challenging market situation and reduced sales, the division managed to improve operating profit from the previous year's EUR 3.2 million to EUR 5.4 million. In euro terms, the operating profit figure was the Vehicle Division's all-time best.

SUCCESSFUL LOYAL CUSTOMER CAMPAIGNS

During the year, month-long Loyal Customer offers for new cars were held six times. In addition, in the autumn the Vehicle Division participated for the first time in a one-day bonus offer campaign that was beamed at Exclusive Customers and turned out to be a big success. Three trade-in vehicle campaigns were beamed at Loyal Customers. In addition, there were monthly Loyal Customer offers of accessories and supplies for motorists and car use.

The Vehicle Division took part in the Crazy Days in both the spring and the autumn.

ORGANIZATIONAL CHANGES TO BOOST EFFICIENCY

Following the organizational changes that were made during 2002, the Vehicle Division now has one organizational layer less, and most practical decision making has been transferred to the outlets. As the competition gets tougher, the objective is to ensure that decisions are taken with the necessary speed and that all the sites are developed actively in line with the requirements of the times. Each vehicle sales outlet is going after profitable growth.

DEVELOPMENT WORK TO ENSURE GROWTH

In November the Vehicle Division launched a new and up-to-date website. It makes a special point of providing flexible possibilities for booking a servicing time and it has enhanced trade-in car pages. The wide range of trade-in vehicles can be viewed in four colours in real time. Prospective buyers can give information on the kind of vehicle they are looking for to a separate Lookout Service that sends them an email as soon as the car that meets their requirements turns up. The renewed website saw an increase in the average number of daily visitors to 2 000.

To support sales of company cars, in the autumn the Vehicle Division launched Stockmann Leasing, which leverages the strengths of its strong product brands and total service concept. Stockmann's service product differs from other similar concepts in that it always includes a courtesy car during servicing as well as a tyre storage service. In addition, together with the other member dealers of the Helsinki Motor Trade Association the Vehicle Division established an "Yritysautot.com" (Company cars website) service, which offers companies in the Helsinki metropolitan area an electronic service channel covering all makes of vehicle.

The big new Superb model continues Skoda's tradition as a manufacturer of luxury cars, going back six decades.

Mitsubishi's restyled medium-class Space Star station wagon fills a variety of needs – without compromising on safety, economy and design.

INCREASED SERVICING CAPACITY

Since 1996 the servicing capacity has been increased every year. Thanks to the increased capacity the normal time for booking a servicing slot during 2002 was on average under a week. This aids Stockmann's competitiveness, especially in the Helsinki metropolitan area.

The start of 2002 saw the completion at the Tikkurila Ford outlet of a body shop and tyre service for all makes of vehicle. In the autumn the Lauttasaari outlet in the vicinity of the fast-growing Ruoholahti district came out with a similar concept beamed at customers requiring servicing for all the marques which the Vehicle Division deals in. At the end of the year plans were confirmed for a body shop and expanded servicing facility that will be located at the Ford dealership in Turku. The enlarged facility will become operational in the later spring 2003.

Tyre storage was the ancillary service that saw the fastest growth within maintenance in 2002. At the end of the year the tyres of nearly 1 500 vehicles were in storage.

TARGETING PROFITABLE GROWTH

The total market for new cars is estimated to exceed the 2002 level by a clear margin in 2003, providing that right from the start of the year Parliament passes the bill which the Cabinet proposed at the end of December concerning a change in the structure of the vehicle tax and lowering of it. Sales of vans are estimated to reach the previous year's level.

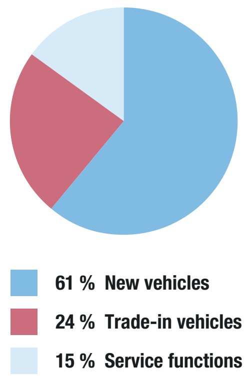
A record number of used cars will be imported into Finland during 2003. Presumably, the imports will be weighted towards vehicles more than five years old. The reduction in the prices of new cars that was made at the turn of the year will lower the price level of used cars across the board, and this will be a factor lessening the importation of fairly new used vehicles.

The new Block Exemption that will come into force from the beginning of October will lead to increased competition also in car and van servicing as well as in the importation of spare parts. In order to meet this competition successfully, a car dealer must be able to provide adequate servicing capacity that customers feel is sited in the correct geographical locations. Furthermore, various servicing-related add-ons, such as a courtesy car, servicing for flyers, pick-up servicing, etc. will play an important role when customers choose where they take their car in for servicing.

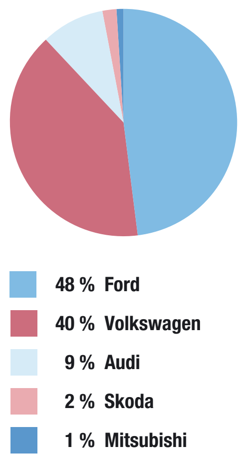
The Vehicle Division's priorities for 2003 are unchanged, efficient use of capital and quality in all its customer service processes.

In 2003 the Vehicle Division is going after increased market shares in its areas of operations. A special objective is to gain market share for all the makes of vehicle in Stockmann's line-up within the company car segment. The objective is to improve further both the Vehicle Division's return on capital employed and operating profit in 2003.

Distribution of the Vehicle Division's sales 2002



Distribution of the Vehicle Division's sales by make 2002



"For us, home is the centre of everything: it's the number one place where we spend free time, where daily life flows in a restful way and we can easily create a special atmosphere. Our home is also a hobby: a project that we're always making more and more a reflection of us. With just little tricks and new elements it's surprisingly easy to refresh the look of our home. All you need is a stunning idea – and you're sure to find such ideas, if you know where to look for them."

A difficult earnings year for the leading distance retailer

The Hobby Hall Division's sales were EUR 237.1 million, on a par with the previous year. Net turnover was EUR 198.1 million. The volume of packages dispatched to mail order customers was 2.5 million, a decrease of 4 per cent on the previous year.

The division's operating profit, EUR 0.5 million, fell markedly short of the target and last year's figure. The operating profit for the previous year also includes a return on value added tax in 1998-2000, to a total amount of EUR 2.6 million, which was included in the interest income on credit sales.

The main reason for the poor result of the Hobby Hall Division was that despite the substantial outputs made over the past years with the aim of spurring business growth, sales were below budget. The sales trend in the first part of the year was especially lacklustre, but in the second half of the year it nevertheless grew by 6 per cent on the previous year. Full-year earnings were also burdened by the costs of starting up the stores in Helsinki's Herttoniemi district and at Rocca al Mare in Tallinn as well as by the increase in credit losses in all market areas as a result of efforts to acquire new customers.

The Hobby Hall Division carried out a step-by-step organizational change which came into effect as from the beginning of October. The objective of it was to move from an organization based on sales channels to a structure in which operations are developed more closely as a single business entity. The new operational structure emphasizes the business's customer-oriented multichannel offerings, which also contributed to improving marketing efficiency right from the latter part of the year.

SHARP FALL IN THE OVERALL DISTANCE RETAIL MARKET

Finland's total distance retail market declined by 7.5 per cent in 2002 as measured by the volume of packages shipped. The unforecast drop was exceptionally steep in the first half of the year.

The shakeout in the overall distance retail trade continued, with online stores increasing further their share of the aggregate market. In Finland, however, the e-commerce has not grown as fast as in many other West European countries. Their share of Finland's total retail trade has remained modest, at least for the time being. It is believed that the market trend of distance retailing in Finland will be stable over the next few years and that Internet stores will gain a larger share of the overall distance retail market.

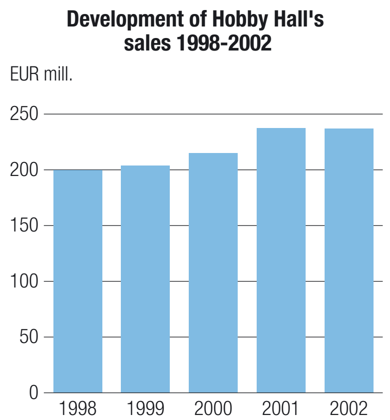
STRONGER MARKET LEADERSHIP IN FINLAND

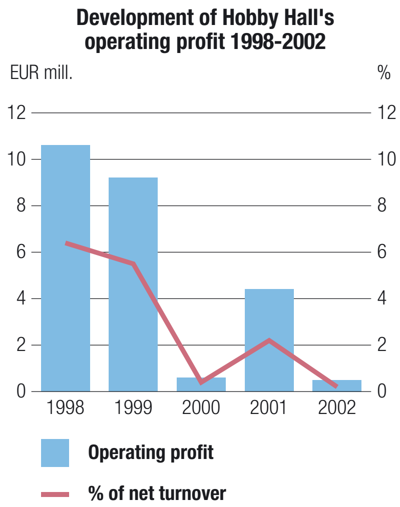
The Hobby Hall Division's sales in Finland were EUR 195.8 million, down 3 per cent on the figure a year earlier. Despite this, Hobby Hall strengthened its position as the market leader in distance retailing in Finland.

The product areas that performed best were products connected with fitness and outdoor activities, whereas sales of household goods and textiles for the home showed the biggest drop compared with last year.

The main catalogue in early autumn was the best autumn catalogue ever. On the other hand, the smaller-format price-driven special offer catalogues were an outright disappointment all year long. Hobby Hall is

Hobby Hall offers its customers products and services via catalogues, an online store and its own stores. Its offerings consist primarily of household and leisure articles. The market leader in Finland, Estonia and Latvia offers its more than 1.3 million customers an easy, reliable and pleasant alternative for buying quality products at affordable prices. Operations in Lithuania got started at the beginning of 2003.



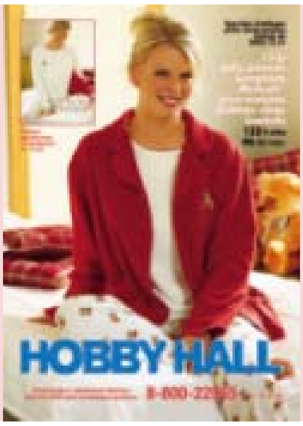


KEY FIGURES

HOBBY HALL, EUR mill.	2002	2001	change %
Sales	**237.1**	237.4	0
Proportion of Group Sales, %	**15.0**	15.4	
Operating profit	**0.5**	4.4	-89
Return on capital employed, %	**0.5**	4.7	
Capital employed	**103.1**	95.3	8
Investments	**3.2**	4.0	
Staff, December 31	**957**	874	9

Hobby Hall is now the market leader within distance retailing not only in Finland and Estonia but also in Latvia.

A new store in the Rocca al Mare Shopping Centre in Tallinn opened its doors in May.



Lithuania is the newest country where Hobby Hall has operations. Pilot marketing got under way in Lithuania in November 2002 and operations started at the beginning of 2003.

seeking to develop its catalogues so that in future years too it will be able to offer customers the most attractive alternative on the market in each product group: striving to make good selections together with our customers.

During the best days of the Christmas sales season, the Helsinki Customer Service Centre and the Kuopio Customer Service Centre that was opened in November 2001 handled a total of about 10 000 calls a day. In the autumn Customer Service placed in use a new personnel planning system that will make operations more customer-oriented and cost-effective.

Christmas sales saw a strong thrust aimed at marketing home deliveries as a nationwide form of service. About 20 per cent of all the telephone and Internet orders placed in November–December was delivered right to the customer's home. It is believed that the home delivery service will improve the competitive position of distance retailing significantly. The cost-effectiveness of package traffic was improved by streamlining operations at the Viinikkala and Tammisto logistics centres and by developing cooperation with Finland Post.

ONLINE SALES DEVELOPED FAVOURABLY

The volume of orders placed via the Internet notched up further and was EUR 24.4 million. The online store grew by 15 per cent on the previous year and it accounted for 12 per cent of sales in Finland. In particular, growth was spurred by an increase in the number of customers. During 2002 about 100 000 purchasing customers visited the online store. The average purchase was nearly double that of telephone and coupon orders – about 155 euros.

Because Levari music sales site and the Meklari auction site did not meet their objectives, it was decided to discontinue them in their present form as from the first part of 2003.

Digital television has not yet gained the kind of foothold in Finland that would offer economic grounds for investments in commercial system solutions connected with it. The online store and possibly new electronic commercial solutions will be developed and marketed in future as part of the Hobby Hall Division's multichannel offerings.

INCREASED IN-STORE SALES IN FINLAND

Aggregate sales by the Hobby Hall Division's stores in Finland were EUR 43.3 million, up 9 per cent on the previous year. The figure includes the sales of the approximately 1 400 square metre new store that was opened in Helsinki's Herttoniemi district in May. Sales by the stores accounted for 22 per cent of the Hobby Hall Division's sales in Finland.

In May the store in the Tammisto district of Vantaa was enlarged and refurbished, giving it retail space of about 2 000 square metres. At the same time, the division's servicing functions were centralized at the Tammisto site. Sales by the Tampere store that was opened at the beginning of 2001 showed an excellent development, increasing by 24 per cent on the figure a year earlier.

In October a decision was taken on converting the store in Helsinki's Hämeentie into an Outlet oddment store in early 2003. Outlet offers discounted prices on products left over from catalogue campaigns and goods returned by customers.

SALES IN ESTONIA DECLINED

The Hobby Hall Division's sales in Estonia were EUR 25.9 million, down 12 per cent on the figure a year earlier. Faced with a sharp drop in Estonia's total distance retail market, Hobby Hall held on to its position as the out-and-out market leader despite the contraction in sales.

A Hobby Hall store with about 1 000 square metres of retail space was opened in Tallinn's Rocca al Mare Shopping Centre in May. The store in Tallinn's Toompuiestee was closed, and the space was used to expand the servicing and returns department.

Towards the end of the year a decision was taken on converting the store in Tallinn's Maakri Street into an Outlet oddment store in January 2003, along the lines of the store in Helsinki's Hämeentie. The Outlet store in Tallinn will also sell products that are returned by customers in Latvia.

THE MARKET LEADER IN LATVIA

Mail order sales in Latvia, which were launched in March 2001, developed quite favourably during 2002. Sales in Latvia amounted to EUR 15.3 million, clearly exceeding both the previous year's sales and the targets that had been set. Hobby Hall is now also the market leader in distance retailing in Latvia.

During the year six catalogue campaigns were carried out in Latvia. The marketing emphasis was again on increasing the

The expanded retail space of the store in Vantaa will provide better scope for product merchandising.

In cooperation with Finland Post Corporation, Hobby Hall started a new nationwide home delivery service that will improve the competitiveness of distance retailing.

number of customers. At the end of the year the operation in Latvia had acquired more than 100 000 customers.

MAIL ORDER SALES GET UNDER WAY IN LITHUANIA

Pilot marketing was carried out in Lithuania in the latter part of 2002 in co-operation with the Lithuanian Post Office. Actual operations started up in February 2003 with a nationwide customer acquisition catalogue that was supported by television advertising.

FAR-REACHING SAVINGS PROGRAMME TO IMPROVE EARNINGS

In October a decision was taken at Hobby Hall to launch a programme of measures with the aim of achieving annual cost savings of 6 million euros. This is about 9 per cent of the division's total costs. The programme involved cutting 80 employees from the payroll, 59 of whom had to be made redundant. In addition, the employment contract of 34 employees was converted to a part-time basis. The staff downsizing was carried out for the most part at the beginning of 2003.

Cost savings will also be realized by stepping up marketing as well as by streamlining operations as a whole.

Hobby Hall has sought to focus the savings measures in a way that enables the division to maintain the high level of customer service and other functions.

CHALLENGES OF THE FUTURE

The central objective of the Hobby Hall Division in 2003 is to achieve a significant improvement in operating profit and the return on capital employed.

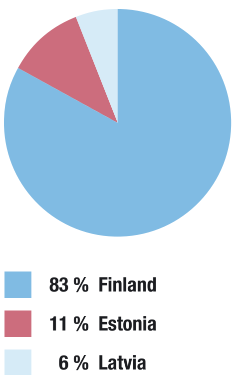
A further objective is to maintain the position as the uncontested market leader in distance retailing in Finland and the Baltic countries.

The cost-effectiveness of operations will be improved in accordance with the savings measures that were launched at the end of 2002. Furthermore, the information technology investment programme will have an effect on improving the efficiency of the division's operations in the years ahead.

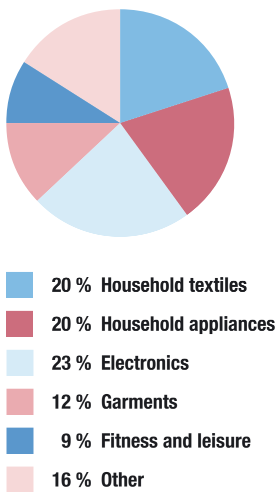
Hobby Hall has set in motion a study of the possibility and alternatives for starting up mail order sales in Russia during the next few years.

The division's operating profit in 2003 is estimated to improve markedly on 2002.

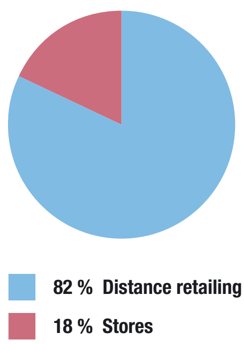
Distribution of Hobby Hall's sales by market in 2002



Distribution of Hobby Hall's sales by merchandise sector in 2002



Distribution of Hobby Hall's sales by channel in 2002



“It was love at first sight! And love lasted, even in everyday life – perhaps because we’re so similar and interested in the same things: we flip through the same magazines, fancy the same kind of fashions and music, go for the same sports. And we even go shopping together – my girlfriends are envious! ”

A return to excellent profitability

The trend of the Seppälä Division's sales in Finland and Estonia was favourable, rising to EUR 132.7 million. Aggregate sales nevertheless fell below the previous year's figure because sales by the loss-making units in Sweden that were wound up in February 2002 are included in the comparison figure. The division's net turnover was EUR 109.2 million.

The programme of measures that was started in 2001 with aim of improving profitability was seen to completion. Operating profit improved substantially and was EUR 10.4 million, an increase of EUR 8.6 million on the figure a year earlier. The return on capital employed was 52.4 per cent.

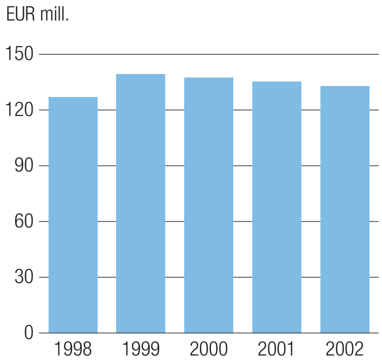
The good trend in Seppälä's earnings was due to a number of different factors. The most important reason was of course that customers found the collections appealing. Seppälä has speeded up the way it puts together its collections, with the result that customers now feel that Seppälä's fashion offerings are in tune with the times and that its level of fashionability has risen. Supply and demand were also brought into better alignment. Accordingly, a reduced share of products was sold at discounted prices, thereby improving the gross margin. The third and by no means smallest factor was the staff's enthusiasm and willingness to work for improved profitability and financial performance.

CUSTOMER-DRIVEN OPERATIONS

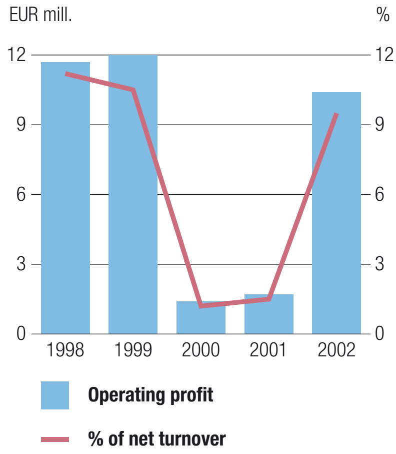
Seppälä strives continuously to improve its ability to understand movements in customers' requirements and in the market so that it can offer them an interesting collection. Customers must always be able to find something to buy in Seppälä's extensive collections, whether the customer is interested in the latest new fashions or

Seppälä is Finland's largest chain of fashion stores offering customers reasonably priced women's, men's and children's apparel as well as cosmetics. The collections feature Seppälä's own product design and proprietary brands. Seppälä's expertise rests on the correct combination of basic and trendy products. Centralized chain-store operations guarantee affordable prices together with reliable quality. In addition to 128 stores in Finland, Seppälä has 14 stores in Estonia.

Development of Seppälä's sales 1998-2002



Development of Seppälä's operating profit 1998-2002



KEY FIGURES

SEPPÄLÄ, EUR mill.	2002	2001	change %
Sales	132.7	135.2	-2
Proportion of Group Sales, %	8.4	8.8	
Operating profit	10.4	1.7	507
Return on capital employed, %	52.4	7.5	
Capital employed	19.8	22.8	-13
Investments	0.6	3.1	
Staff, December 31	887	967	-8

Display windows are an important part of Seppälä's media mix.

Men are showing a growing interest in their apparel and appearance.

Fashion accessories are one of Seppälä's main strong points.

in good basic products. Furthermore, one of Seppälä's guiding principles is that the customer must feel that price and quality are in sync.

Seppälä's store collection comprises 16 different product concepts. This enables the chain to offer a wide range of products meeting different needs – for women, men, youth and children.

With the aid of several customer surveys carried out in 2002, Seppälä's long-term action plan was sharpened so that it meets customers' expectations regarding Seppälä better than ever before.

FITTING OUT THE STORES

Product merchandising is a primary focus in Seppälä stores. The task of in-store displays is to tell the customer in an interesting way what is happening in the world of fashion and to enrich the shopping ambience by highlighting the many dimensions of Seppälä's assortments in an attractive and clearly-stated way.

The store interior is another important element of Seppälä's visual identity. As the market leader in its home market, Seppälä faces the challenging task of keeping its extensive chain of stores in step with the times and appealing. During 2002 twelve stores were refurbished in line with the new furnishing concept, whereby they were given a new lighter-toned look.

Seppälä wants to be close to the customer. This is why its stores are sited in central commercial locations in an environment that is frequented by customers. Depending on the numbers of customers in the Seppälä localities, the retail space of the chain's stores varies from 250 square metres up to 1 200 square metres.

Thanks to its wide and dense network of stores, the reachability of Seppälä stores in Finland is very good. In 2002 three new stores were opened, two stores moved to better commercial locations and four stores were discontinued. Seppälä thus had 128 stores in Finland at the end of the financial year, or one less than a year earlier.

In Estonia, Seppälä strengthened its position in Tallinn, which is clearly the centre of the country's retail trade. Three new stores were opened in Tallinn at new shopping centres. At the end of 2002 Seppälä had 14 stores in Estonia. The country's largest Seppälä store, located in the Viru Centre, Tallinn, will be closed in March 2003 owing to refurbishing works that will be started in the building.

THE CHANGING STRUCTURE OF THE CLOTHES MARKET IN FINLAND AND ESTONIA

Over the past decade a large number of foreign clothes retailers have come to Finland. The market has not grown in step with the arrival of new companies, which means that all of them have not been able to increase their sales and maintain their profitability. The out-and-out losers have been stores that do not belong to chains. In 2002 foreign chains pursued fairly aggressive growth in Finland. At the same time, business premises were in scarce supply, thereby jacking up rents. This also sets for Seppälä the challenge of attending to its own cost effectiveness.

In Estonia the retail trade is undergoing a shift from individual stores to shopping centres. In the Tallinn and Tartu areas this trend has been quite pronounced and it is destined to unfold further in coming years. Because Seppälä wants to be in places where customers come and go, it has stressed these shopping centres in making its siting decisions. In gauging future possibilities, it is important to strive to see when enough shopping centres have been built bearing in mind the available purchasing power.

STRENGTHENING THE SEPPÄLÄ BRAND

Critical success factors for the kind of business which Seppälä represents are pricing, product assortments, product design and marketing. As international competition increases, bringing with it the building out of chains that characterizes the entire industry, the customers' relationship to the retailer has become an increasingly important success factor. A central element within this process is what the clothing chain represents, not just what kinds of clothes it offers and at what price.

Internationalization has also brought changes in consumers' purchasing behaviour: planning has decreased in importance as impulsive purchases have grown; similarly, the importance of price has been de-emphasized as product appeal has gained in prominence, nor does

Seppälä opened three new stores in Tallinn. All of them are located in new shopping centres.

In the autumn Seppälä launched two new brands for teenagers, Lil'Missy for girls and Kil'Baz for boys.

it any longer seem to matter whether the merchant is "home-grown". For this reason too, entering the customers' shopping cycle will henceforth be much more challenging.

Owing to changes in the trends of international competition and consumer behaviour, 2003 will see the launch of a programme of measures aiming to strengthen the Seppälä brand. Seppälä's good company profile and long history mean that development of the brand is particularly challenging. The programme of measures will cover all the subareas of marketing: products, distribution, the store concept, service and marketing communications. The objective is to weave all the subareas into an integrated whole in which the different factors support each other with the result that the customer perceives Seppälä as a place that brings shopping pleasure.

FUTURE PROSPECTS

A number of international companies are operating in Finland and Estonia with the same basic business idea: fashionable clothing at a reasonable price. This means that Seppälä must have a strong brand and a clearly defined concept, and that its marketing must be distinctive.

It is of prime importance for the future that Seppälä knows how to create collections that are appealing to customers and that when working out its store and media programmes it knows how to strengthen customers' perception of the value its brand stands for.

Seppälä continually develops its operations: the store concept and presentation of products in the store are renewed step by step. New products come to the stores almost daily. Seppälä is making a concerted effort to speed up the entire logistics chain for its products – from idea to on-the-rack product. The aim of all these measures is to ensure that the customer can feel that she or he is buying reasonably priced, modern fashion in an inspiring store environment.

In the Seppälä image the product itself plays a central role. This means that ever closer attention will be paid to the content of the product concepts and the points highlighted in them so that customers feel that they are getting interesting products when they buy at Seppälä – so that they keep coming back time and again.

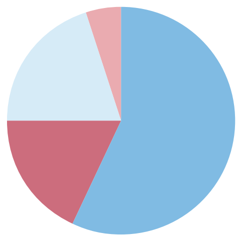
OUTLOOK FOR 2003

2003 will see greater inputs into cosmetics, an effort that is believed to bring increased sales in 2004. The testing of shoe sales that was started in 2002 in a few stores came up to expectations and shoe sales will be stepped up in 2003. Seppälä shoe departments will be opened in all the largest cities during the spring.

Entering new markets is one of the challenges of the future. In the latter months of the year the division intends to test the Latvian market and to open its first stores in Riga.

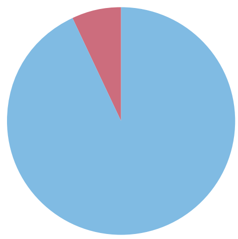
During 2002 Seppälä succeeded in restoring its profitability to an excellent level. The objective in 2003 is to improve operating profit further.

Seppälä's sales by merchandise sector in 2002



57 % Ladies' fashion
18 % Men's fashion
20 % Children's fashion
5 % Cosmetics

Distribution of Seppälä's sales by market in 2002



93 % Finland
7 % Estonia

The corporate bodies of the parent company Stockmann plc which are responsible for the Group's administration and operations are the general meeting of shareholders, the Board of Directors and the Chief Executive Officer.

ANNUAL GENERAL MEETING

The highest decision-making body of Stockmann plc is the general meeting of shareholders. The Annual General Meeting shall be held each year before the end of June. Stockmann has two series of shares, of which each Series A share confers ten votes at a general meeting and each Series B share one vote. No one, however, can cast more than one fifth of the votes represented at the general meeting except in situations in which the Companies Act calls for passing a resolution with a majority of the votes cast. Information on share ownership is given on page 42 of the Annual Report.

A Series A share can be converted to a Series B share upon a demand of a shareholder provided that the conversion can take place within the limits of the minimum and maximum amounts of the share series.

A two-tier provision concerning the obligation to exercise a pre-emptive purchase of shares is written into the Articles of Association. A shareholder whose proportion of all the Company's shares or the number of votes conferred by the shares reaches or exceeds 33 1/3 per cent is liable, at the demand of the other shareholders, to purchase their shares and the securities which according to the Companies Act give title to them. If a previous pre-emptive purchase offer has not led to the pre-emptive purchase of all the company's shares, the shareholder shall make a new pre-emptive purchase offer when the shareholder's proportion of all the company's shares or the votes conferred by the shares reaches or exceeds 50 per cent.

The business of the Annual General Meeting includes approval of the company's annual financial statements and the passing of resolutions on the dividend and the election of members of the Board of Directors.

BOARD OF DIRECTORS

The Company's Board of Directors shall have a minimum of five and a maximum of nine members. The members of the Board of Directors shall be elected to a three-year term of office such that, as far as possible, one third of them will be due to retire each year. To arrive at a distribution of this type, part of the members can be elected for one or two years. A person who has reached the age of 65 years cannot be elected a member of the Board of Directors. At present, the Board of Directors has seven members, none of whom are full-time members.

The Board of Directors shall elect from amongst its number a chairman and a vice chairman for one year at a time.

The company's officers who participate regularly in meetings of the Board of Directors are the chief executive officer, the executive vice presidents, the chief financial officer and the company lawyer, all of whom are not members of the Board of Directors. The company lawyer acts as secretary to the Board of Directors. Two employee representatives also participate in meetings of the Board of Directors, and they likewise are not members of the Board of Directors. One of the employee representatives is elected by Stockmann's Group Council and the other by the association representing Stockmann's senior salaried employees.

The Board of Directors attends to the due organization of the company's administration and operations. In addition to the duties defined separately in law and in the Articles of Association, the Board of Directors, among other things, confirms the company's long-term strategic and financial objectives, approves the budget and decides on major individual capital expenditures, acquisitions, divestments and real-estate deals and other projects of strategic importance. The Board of Directors furthermore approves the guidelines setting forth the principles of financial risk management.

In recent years the Board of Directors has met 8 to 9 times a year.

CHIEF EXECUTIVE OFFICER

The Board of Directors appoints the company's CEO and decides on the terms and conditions of his employment relationship, which are set forth in a written CEO agreement. The CEO is in charge of the company's line operations in accordance with the instructions and regulations issued by the Board of Directors. Hannu Penttilä has been the company's CEO since March 1, 2001.

THE GROUP'S LINE ORGANIZATION

Apart from the CEO, the Board of Directors appoints the executive vice presidents, the CFO and the directors of the divisions. Henri Bucht, managing director of Hobby Hall, has also acted as executive vice president and the CEO's alternate as from February 1, 2001. Jukka Hienonen, director of the Department Store Division, acts as the other of the company's two executive vice presidents as from January 1, 2003.

Corporate Administration oversees the entire Stockmann Group. Commercial operations are organized into four divisions, which are the Department Store Division, the Vehicle Division, the Hobby Hall Division and the Seppälä Division.

MANAGEMENT COMMITTEE

The Group's Management Committee comprises the CEO, the executive vice presidents and the other directors of the divisions, the CFO as well as the company lawyer, who acts as secretary to the Management Committee.

Headed by the CEO, the Management Committee is responsible for directing line operations and for preparing strategic and financial plans.

OVERSIGHT

The Internal Audit, which reports to the company's CEO, supports the management in the control of operations and risk management. The Internal Audit examines and assesses the adequacy and effectiveness of the risk management and the internal control system and produces information, analyses and recommendations for the management for improving the efficiency of the operations and control.

The company has a minimum of one and a maximum of three auditors, who have a minimum of one and a maximum of three deputies. At present the company has two auditors and a deputy auditor which is a firm of independent public accountants authorized by the Central Chamber of Commerce.

MANAGEMENT'S REMUNERATION AND OTHER BENEFITS

The Annual General Meeting passes resolutions on the remuneration paid to the members of the Board of Directors. According to the resolution passed by the Annual General Meeting held on April 2, 2002, part of the remuneration was in 2002 paid in the company's shares. The amount of salaries and emoluments as well as fringe benefits paid to the members of the Board of Directors, the CEO and the executive vice president who acts as the CEO's alternate totalled EUR 0.5 million in 2002.

INCENTIVE SYSTEMS

Achievement of the company's long-term objectives is supported by two share option schemes for key employees, which were approved through resolutions passed at the Annual General Meetings in 1997 and 2000. Information on these share option schemes is given on page 41 of the Annual Report.

The Group makes use of annual performance-based systems of rewards and incentives to promote the achievement of short-term objectives. The basis of determining the performance-based bonuses paid to the CEO and the other members of the Management Committee are confirmed annually by the Board of Directors.

INSIDERS

Stockmann complies with the insider guidelines approved by Helsinki Exchanges, the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers.

Counted as permanent insiders of Stockmann plc are the members of the Board of Directors, the CEO, the executive vice presidents and the auditors. In addition, permanent insiders include persons who act in occupations defined by the CEO, said persons including the members of the Group's Management Committee. The company makes use of the Insider Register service kept by Finnish Central Securities Depository Ltd, which makes available for public scrutiny the up-to-date share and share option ownership data on insiders.

FINANCING AND MANAGEMENT OF FINANCIAL RISKS

Financing and the management of financial risks are handled on a centralized basis within Group Administration in accordance with the Treasury Guidelines that are approved by the Board of Directors. Group Treasury has more detailed operational instructions concerning financial risks as well as cash management and securities. The divisions have separate instructions for hedging foreign exchange exposure and a security policy.

The objectives of the Treasury function are the appropriate hedging of foreign exchange exposure in cooperation with the divisions (foreign exchange risk), financing operations at a reasonable price in all conditions and investing liquid funds productively and safely (liquidity, interest rate and credit risk). The Group Treasury Department also has an internal bank function and is furthermore responsible for managing Group accounts and securities.

FOREIGN EXCHANGE RISK

Stockmann's foreign exchange risk derives from purchases made in foreign currency, for which the most important purchasing currencies are the United States dollar, British pound, Hong Kong dollar and Swedish krona, as well as sales denominated in the Russian rouble, Estonian kroon and Latvian lat. Purchases made in foreign currencies account for 9.5 per cent of the Group's purchases, whereas sales denominated in foreign currencies make up 9.4 per cent of the Group's aggregate sales, whereby the Group's foreign exchange risk is not major in amount. In addition, the fast turnover rate of retail products reduces foreign exchange risk.

The management of foreign exchange risk is based on active monitoring of the 12-month cash flow in foreign currencies, division by division and currency by currency, and managing the Group's foreign exchange risk via these flows.

The foreign exchange risk related to balance sheet items derives from foreign currency-denominated investments made in units abroad. Balance sheet risk is monitored and hedged separately.

Forward rate agreements and options are the primary instruments used in hedging foreign exchange risk.

INTEREST RATE RISK

Stockmann's interest rate exposure arises from the cash flows from the Group's operations, capital expenditures and financing. A dual approach is employed in managing interest rate risk. The Group's borrowings and investments are diversified across different maturities and, furthermore, floating rate and fixed-interest instruments are used. The management of interest rate risk also involves the use of forward rate agreements and futures, interest rate options and interest rate swaps. The average interest rate period of the loan and investment portfolio is a maximum of five years.

LIQUIDITY RISK

The aim of managing liquidity risk is to ensure that Stockmann is able to meet its financial obligations at any time. The trend in liquidity is monitored by cash flow forecasts. Liquidity risk is managed by ensuring the availability of sources of funds at a reasonable price and by allocating part of the investments in liquid financial instruments.

CREDIT RISK

Financial instruments involve the risk that the counterparty to an agreement does not fulfil its obligations. Credit risk is managed by means of counterparty limits. The counterparty limits are reviewed and approved semi-annually.

The Stockmann Group had a payroll of 8 917 employees at the end of 2002, or 134 more than a year earlier. The increase in the headcount was due, among other things, to the opening of the Zara store and to the enlargement of the Moscow department store. The number of employees on a monthly salary was 4 508, an increase of 85 people, and there were 4 409 hourly wage-earners, an increase of 49 employees. Women far outnumbered men within the Group's personnel: 72 per cent to 28 per cent. Women accounted for 70 per cent of the senior salaried employees and men for 30 per cent. The average age of the personnel was 36 years.

Further information on the numbers of personnel is given in the Board Report on Operations under the section "Personnel strength" on pages 39-40 of the Annual Report and in the accompanying table.

STOCKMANN IS A SOUGHT-AFTER EMPLOYER

Stockmann is a sought-after place to work in the retail sector in all the localities where it operates. A good number of students, after a stint of part-time work with the Stockmann Group while they are studying, go on to more demanding positions within the company after they graduate. This motivates students to strive for a long-term employment relationship with Stockmann.

Stockmann has attracted an enviable number of applicants also for positions requiring vocational or professional skills and years of work experience. This ensures that the personnel's high professional skill is maintained and in line with ever-changing challenges.

Each year about 30 000 job applications come in to Stockmann in Finland. To process and analyze them, Internet-based recruitment software was placed in use in the beginning of the year to aid in filling the Department Store Division's vacancies in the Helsinki metropolitan area.

In 2002 the Department Store Division and the Vehicle Division continued their close cooperation with vocational educational institutions as in previous years. Stockmann's representatives visited educational institutions during a number of school functions, and on-the-job learning and trainee periods were arranged for the students. For years now the Vehicle Division has also had an apprentice repair shop and training contract with two polytechnics. Hobby Hall too took steps to engage in closer cooperation with educational institutions.

The Stockmann Group traditionally takes on ninth-graders all year round, enabling them to get acquainted with working life. This orientation period often marks the start of getting to know the Group as a future employer.

JOB ORIENTATION

The customer service staff are in an especially important position in building the company's service image. Owing to the comparatively large number of part-time employees, orientation at the department stores must come to grips with special challenges. Each new employee takes part in a two-stage course for new Stockmann recruits. This provides essential training that is needed in assimilating Stockmann's customer-service standards. Specially trained supervisors and instructors lead the courses by turns.

After the general start-up orientation, the new department store employees go on to a more specialized introduction to their job tasks and workplace under the guidance of an orientation instructor designated by their own team or sales group. The instructors too go through training to develop their competence and to maintain the skills and knowledge needed during orientation.

In the other divisions, supervisors are primarily in charge of orientation. At sites having a large number of employees and fairly high staff turnover, a person is appointed to be in charge of orientation, as in the Department Store Division.

To handle the orientation of store managers, Seppälä has a mentor system. The mentors are a group of professionally skilled, experienced store managers.

HUMAN RESOURCES DEVELOPMENT

The Group's human resources development is strongly geared towards service, sales skills, product knowledge and system training for employees who work in customer service areas. A total of 232 development programmes and courses dealing with these subjects were arranged at the different divisions, and a total of 4 317 employees participated in them. During the year 34 department store employees started work on a vocational degree, and 15 people completed their studies leading to such a degree. The Vehicle Division and Hobby Hall updated their human resources development plans during the year.

Seppälä has an ongoing Seppälä Spirit training programme covering its entire staff. The objective of the programme is to develop sales and other functions, and to support it there are 20 tutors or "Spiritors," as they are known, who are picked from amongst the employees and given special training.

Within the department stores' organization, the heads of the sales teams play an important role. Their tasks include motivating and providing incentives for the team members, work task organization, product briefings, visual merchandizing and restocking.

Supervisors have participated in special training in their own area of competence. A Group-wide training programme aiming at developing and maintaining supervisor skills is in the pipeline.

A requirement of customer service at the department stores is that the employees are proficient in languages, and these skills are also needed in the Department Store Division's international dealings. A good command of both of Finland's official languages, Finnish and Swedish, is particularly important in customer service. To highlight this, the division pays a language supplement of 7 per cent of salary or wages for full proficiency in both Finnish and Swedish and a 5 per cent supplement for good language skills in customer service. The supplement paid for other languages that are important for customer service is either 5 per cent or 2.5 per cent, depending on the level of proficiency. The Department Store Division pays its customer service employees in Finland better language supplements than are stipulated in the retail trade's collective bargaining agreement. Language skills are often developed on language courses arranged by Stockmann. In 2002 language training was arranged in Swedish, English and Russian. The customer service staff wear badges displaying flag symbols indicating the languages they are proficient in.

DEVELOPING FEEDBACK

Stockmann's annual performance appraisal discussions have for the most part covered supervisors.

During 2001 the department stores completed a series of systematic performance appraisal discussions with all permanently employed staff in Finland. This was followed up when the department stores introduced on a test basis, in autumn 2002, a personal assessment of customer service quality in certain sales groups. The purpose of this trial is to survey the personal customer service skills of each person engaged in customer service activities and to give them feedback at regular intervals after the trial period. The marks for personal skills will also serve as the basis for benchmarks used by the teams and sales groups.

Last year the Vehicle Division's supervisory staff took part in performance discussion training that equipped them for starting regular performance appraisal discussions. During 2003 the discussions will be extended to all employee groups at either an individual or small group level.

At Hobby Hall and Seppälä too, steps were taken last year to extend development discussions to each employee group during 2003.

The Department Store Division organized a workplace atmosphere study centring on the Finnish staff. The survey questionnaires elicited opinions on job content, supervisors and management style, the way instructors and service managers work, team leaders and their ways of working, the internal procedures of teams and departments, and the overall workplace atmosphere. The results of the survey gave on average a comparatively good picture of Stockmann's workplace atmosphere. On the basis of the survey, special development targets were chosen for the department stores as a whole and at the team level.

INCENTIVE SYSTEMS

The purpose of incentive systems is to motivate the personnel to work together in achieving the targets set. The aim in constructing them has been to give as many employees as possible a chance to influence their own incentive bonus and that of their team. The Group paid a total of about 4 million euros in various incentive bonuses in 2002.

OCCUPATIONAL HEALTH CARE

In 2002 Stockmann's own Occupational Health unit continued, within the parent company, a survey focusing on working ability indexes and resources to determine how employees cope with job pressures in those areas that had not yet been measured. Further assessment work will be done in coming years. The target groups this time were the Vehicle Division, the department store in Helsinki's Itäkeskus Shopping Centre and part of the staff of the Department Store Division's common functions. The average for the working ability index was good: 40.6 points out of a maximum of 49. After the survey was completed, follow-up discussions in which the employees agreed jointly on development measures were held on a department or team basis. After these feedback discussions, the Vehicle Division singled out information flow, leadership and cooperation as its development targets. Clear-cut initiatives were launched straightaway in 2002.

The Occupational Health unit gives supervisors general information on employee health within the business units and puts forth proposals for improving and developing working conditions. Together with Stockmann's pension insurance company and human resources management, efforts have been made to promote job try-outs and reassignment for incapacitated employees in order to optimize their active working time.

CODETERMINATION

Stockmann has a long tradition of cooperation between management and the personnel. This partnership got started back in 1924 when the first Employees' Council was established. Today, codetermination at the Group level is carried out in Finland by convening, twice a year, a Group Council that is made up of Employees' Council representatives from the different business units. The Employees' Councils of the business units consist of representatives of the unit's different employee groups, and the representatives meet several times a year.

Ever since 1987 the meetings of Stockmann's Board of Directors have been attended by two personnel representatives, one of whom is elected by the Group Council and the other by the association that represents Stockmann's senior salaried employees.

The Management Committee of each of the department stores in Finland has had personnel representation since 1986.

From the latter part of the year Hobby Hall engaged in extensive codetermination negotiations in connection with its restructuring programme. As a result of these talks, the staff was downsized by 80 employees and 34 employees went over to a part-time employment relationship.

PERSONNEL ABROAD

The Group's personnel who work abroad consist nearly entirely of citizens of the country in which the unit is located. In 2002 Stockmann had seven Finnish employees who were posted abroad. The total number of employees abroad was 1 387 people, of whom 921 had full-time jobs and 466 were part-timers.

The Group's human resources policy is applied to the personnel of its international units as such unless the country's laws or other justifiable causes call for other provisions. Representatives of the personnel abroad participate annually in various training and cooperation events that are held in Finland, and training programmes that have proved their usefulness in Finland are also run abroad.

The Stockmann Group's environmental policy

STOCKMANN AND THE ENVIRONMENT

Stockmann is aware of its environmental responsibilities and seeks to operate in line with the principles of sustainable development, taking into account its core values (profit orientation, customer orientation, efficiency, commitment and respect for people). Stockmann identifies the environmental impacts of its operations. The company seeks to adapt its operations to be in line with sustainable development and to prevent their adverse impacts.

All business activities place a burden on the environment, but it is essential to find means of minimizing this burden. In accordance with its customers' wishes, Stockmann favours environmentally friendly solutions. Stockmann's goal is to take environmental factors into consideration in its investments and the planning of functions and procedures. Stockmann seeks to favour products whose packaging is appropriate and whose packaging materials can be sorted and recycled. When outsourcing its own brands, Stockmann is involved in the creation of new environmentally sound operating methods and their development in association with its cooperation partners.

Stockmann continuously improves its quality and environmental systems, taking its customers' needs into consideration. Stockmann encourages its staff to work in such a way that each and every employee shoulders his or her responsibility for the environment; the company also develops the environmental compliance of its organization by means such as communications and training. Environmentally responsible operations are supported and encouraged. Stockmann keeps its stakeholders informed about the realization of environmental compliance. Stockmann complies with the environmental legislation that is in force and demands that its cooperation partners do so as well.

STOCKMANN'S ENVIRONMENTAL MANAGEMENT

Stockmann hones and manages its business operations in such a manner that environmental perspectives are also taken into consideration. The Group's consistent environmental management substantially improves the scope for monitoring and reporting, and its shared environmental policy provides uniform operating instructions for the environmental efforts of its commercial divisions. The environmental policy is ratified by the company's Board of Directors, and environmental management has been organized to be part of the management of the divisions.

THE IMPACTS OF STOCKMANN'S OPERATIONS ON THE ENVIRONMENT

The retail sector's largest direct environmental impacts are related to fuel consumption and emissions during transport, packaging wastes and the energy consumption of stores and storage facilities. The construction of new premises, repairs and both the operations and maintenance of properties and stores have an effect on the usage of materials, energy consumption and waste management.

TRANSPORT

In its operations, Stockmann seeks to achieve cost-effectiveness to save energy in transport and storage as well as the selection and maintenance of equipment and properties. The company strives to transport goods in such a manner that all transport vehicles are filled to optimal capacity. Stockmann favours cooperation partners that have a reputation for being environmentally sound.

RECYCLING AND SORTING OF WASTES

The primary objective is to reduce the direct environmental impacts of Stockmann's operations. Cutting down on wastes and the sorting and recycling of resulting wastes comprise an essential part of this effort. Fundamentally, environmental legislation primarily seeks to prevent the creation of wastes; the sorting and recycling of wastes is a secondary consideration. Stockmann strives to prevent waste generation and thereby minimize the resulting waste volume. Steps are taken to upgrade the effectiveness of recycling and sorting by means of reports and statistics on waste volumes and the quality of these wastes.

ENERGY CONSUMPTION

Energy consumption is tracked with statistics and reports, and efforts are made to upgrade consumption efficiency by means of equipment investments, issuing guidelines and automatization. The company seeks to make full use of the available technology during repair and renovation works and to replace old systems with more efficient systems and equipment that conserve energy. The machinery and equipment that is currently in use is serviced regularly to ensure defect-free operation. Efforts are made to prepare in advance for temperature variations and heat loads, along with the resulting energy consumption, due to the weather, campaigns and so on.

PRODUCT ASSORTMENTS AND PROCUREMENTS

Stockmann offers its customers a safe shopping environment and safe products. When procuring products, Stockmann relies on well-known and reliable goods suppliers. Stockmann favours environmentally friendly products in line with consumer demand and its emphasis on consumer-oriented operations. Stockmann fosters the environmental awareness of its employees. In addition, the company meets and tries to anticipate its customers' wishes for environmentally friendly products and packaging. For example, its extensive product assortment features organic and green products.

Stockmann promotes the principles of the responsible importing network coordinated by the Central Chamber of Commerce. Stockmann has signed a document in which it commits itself to cooperating in the promotion of the use of responsible importing principles. Stockmann bears its responsibility for the origins of its products and when making procurements complies with the "Commitment to Social Responsibility in Importing", which is based on international recommendations, declarations and conventions. Among other things, the agreement aims to prevent discrimination and the use of child labour as well as to ensure that employees enjoy safe working conditions and sufficient wages.

Measures in 2002

At the end of spring 2002, the Stockmann Group started up a social responsibility and environmental project to integrate environmental protection more systematically into Stockmann's business operations and to develop the Group's social responsibility solutions in other respects as well. The outcome of the project was a consistent, Group-wide environmental organization that is led by Stockmann's CFO, who is in charge of the Group's environmental compliance. Environmental operations in the Department Store Division, the Vehicle Division, Hobby Hall and Seppälä have been organized as part of ordinary management in line with the Group's environmental policy. Environmental communications to employees have been upgraded and beefed up.

Stockmann's Board of Directors approved the Group's new environmental policy on November 7, 2002.

The department store in Helsinki has a comprehensive environmental system that is geared towards developing the operations of the store to achieve even better environmental soundness and prevent environmental impacts arising from operations. In autumn 2002, Stockmann began to develop this environmental system in line with the requirements of the ISO 14001 standard. An ISO 14001 certificate was granted to the environmental system in February 2003.

The Vehicle Division has committed itself to the environmental programme of The Central Organisation for Motor Trade and Repairs (AKL) and it is in use at all the outlets. When carrying out the environmental project, the Group assessed the development focuses of environmental operations at the Vehicle Division and drafted a development measures plan.

Measures were stepped up at Hobby Hall with the aim of achieving greater efficiency in the sorting and recycling of packaging wastes generated by the logistics centres. Finland Post Corporation became Hobby Hall's new cooperation partner in recycling services for electrical and electronics products in the Helsinki metropolitan area.

Environmental soundness was improved at Seppälä by means of a waste sorting and recycling project for the head office and central warehouse property. This also involved personnel training. All of Seppälä's goods suppliers have signed the responsible importing commitment.

Stockmann has committed itself to cooperating in the promotion of the use of responsible importing principles by being part of the responsible importing committee coordinated by the Central Chamber of Commerce. The divisions adhere to the "Commitment to Social Responsibility in Importing", under which a goods supplier commits itself to opposing the use of child and forced labour and discrimination as well as to ensuring that employees enjoy safe working conditions and sufficient wages. The commitment is based on the UN's and ILO's international recommendations, declarations and conventions.

In October 2002, Stockmann became a signatory of the International Association of Department Stores' principles of responsible importing. These principles are largely the same as those of the responsible importing network coordinated by the Central Chamber of Commerce.

Objectives for 2003

The divisions' environmental compliance objectives for 2003 include starting up and developing the operations of the Group's new environmental organization, setting up environmental systems at all of Stockmann's department stores in Finland in line with the ISO 14001 standard, developing the environmental operations of the Vehicle Division in accordance with the environmental programmes of the Group and AKL and stepping up the environmental responsibilities of Seppälä and Hobby Hall stores.

The Group's environmental soundness is developed by means of an environmental organization and outlays are made on the environmental compliance of the divisions. Opportunities for the monitoring and reporting of environmental considerations will be assessed and developed to utilize environmental information further in operations and to disseminate information to interest groups.

Efforts to promote responsible importing and the large-scale implementation of this commitment will be continued. The aim is for all of the goods suppliers of the Stockmann Group to sign the commitment.

The Stockmann Group's sales grew by 2.9 per cent to EUR 1 582.3 million. Profit before extraordinary items grew by 34.0 per cent and was EUR 68.6 million. The Seppälä Division, Vehicle Division and Department Store Division improved their earnings significantly. The Hobby Hall Division's result was down on the previous year. Earnings per share were EUR 0.97, as against EUR 0.68 a year ago. Return on capital employed grew by 2.8 percentage points to 12.6 per cent. The Board of Directors is proposing the payment of a dividend of EUR 0.70 per share for the 2002 financial year and additionally a 140-year jubilee dividend of EUR 0.20 per share, or a total of EUR 0.90 per share.

SALES UP 2.9 PER CENT

The Stockmann Group's sales grew by 2.9 per cent, or EUR 44.7 million, to EUR 1 582.3 million. Net turnover increased by EUR 33.4 million, or 2.6 per cent, to EUR 1 315.3 million. The net turnover figures by division are shown in the accompanying table.

EARNINGS IMPROVE

The relative gross margin on Stockmann's operations grew by 1.3 percentage points and was 33.4 per cent. The Group's aggregate gross margin on operations was EUR 438.9 million, an increase of EUR 27.0 million on the previous year. Operating expenses grew by EUR 12.9 million and depreciation by EUR 0.4 million.

Operating profit was up EUR 15.6 million to EUR 61.9 million. Operating profit represented 4.7 per cent of net turnover, as against 3.6 per cent of net turnover a year ago.

Other operating income consisted of capital gains on the sale of real estate and shares amounting to EUR 8.8 million. The figure a year ago was EUR 7.0 million.

Net financial income grew by EUR 1.8 million from the previous year and was EUR 6.7 million.

Profit before extraordinary items grew by EUR 17.4 million and was EUR 68.6 million. Because there were no extraordinary items, pre-tax profit was the same in amount.

Higher profits meant that direct taxes increased by EUR 2.5 million to EUR 18.9 million.

Net profit for the financial year was EUR 49.7 million, compared with EUR 34.8 million a year earlier.

Earnings per share increased by 43 per cent and were EUR 0.97. The figure a year ago was EUR 0.68.

Thanks to a quickening in the capital turnover rate and the improvement in net profit, the return on capital employed increased by 2.8 percentage points to 12.6 per cent and the return on equity was up 2.7 percentage points to 9.6 per cent.

Equity per share was EUR 10.21, compared with EUR 9.85 a year earlier.

The company's market capitalization grew by EUR 14.1 million from the previous year and was EUR 710.1 million.

NET TURNOVER	2002 EUR mill.	2001 EUR mill.	change EUR mill.	change %
Department Stores in Finland	579.4	545.0	34.4	6
International Operations	99.9	88.5	11.4	13
Department Store Division, total	679.3	633.5	45.8	7
Vehicle Division	328.3	337.2	-8.9	-3
Hobby Hall	198.1	200.2	-2.1	-1
Seppälä	109.2	111.1	-1.9	-2
Real Estate + others	24.2	24.0	0.3	1
Eliminations	-23.7	-23.9	0.2	
Total	1 315.3	1 281.9	33.4	3

SALES AND PROFITABILITY TREND OF THE DIVISIONS

The Department Store Division's sales grew by 7 per cent to EUR 811.1 million. International Operations accounted for 15 per cent of the division's sales. Factors contributing to the increase in sales were the Oulu department store that was opened in September 2001 and the Zara store that opened in Helsinki in April 2002. The further improvement in the relative gross margin coupled with good cost management increased the Department Store Division's earnings both in Finland and abroad. Operating profit grew by a total of EUR 5.6 million and was EUR 39.7 million. The result was again the division's all-time best. The return on capital employed was 21.0 per cent, an improvement of 2.0 percentage points on the figure a year earlier.

The Vehicle Division too reported its best-ever profits. The Vehicle Division's operating profit increased by EUR 2.1 million on the previous year and was EUR 5.4 million, though sales diminished by 3 per cent to EUR 398.9 million. The decrease in sales was attributable to the disposal of the Mitsubishi-Skoda units in Turku and the Helsinki metropolitan area in 2001 and 2002. The increase in operating profit was driven by the good trend in the gross margin and by reduced costs. The return on capital employed was 13.5 per cent, up 8.1 percentage points on the figure a year earlier.

The Hobby Hall Division's sales totalled EUR 237.1 million, on a par with the figure a year earlier. The division's operating profit fell by EUR 3.9 million to EUR 0.5 million. The decrease in operating profit was attributable mainly to the EUR 2.6 million retroactive VAT refund that was included in the previous year's operating profit. Thanks to the change in the composition of sales, the comparable gross margin improved. Although credit losses increased markedly, the growth in total costs was moderate. The return on capital employed was 0.5 per cent, against 4.7 per cent a year earlier.

In October 2002 the Hobby Hall Division launched a cost savings programme with the objective of improving its profitability by achieving cost savings of about 6 million euros during 2003. To accomplish this, operations will be streamlined and efficiency stepped up. In accordance with the savings programme, the staff was downsized by 80 employees, involving 59 redundancies. In addition, the employment status of 34 employees was changed to a part-time basis. The measures concerning the personnel were carried out for the most part at the beginning of 2003.

The Seppälä Division's sales grew both in Finland and Estonia. As a consequence of winding up operations in Sweden, aggregate sales nevertheless fell by 2 per cent on the previous year and totalled EUR 132.7 million. The division's operating profit grew by EUR 8.6 million to EUR 10.4 million. The relative gross margin improved significantly. The operating profit figure a year earlier included EUR 5.2 million of losses on operations in Sweden, which were wound up in February 2002. The return on capital employed was 52.4 per cent, an improvement of 44.9 percentage points on the figure a year earlier.

The trend in operating profit and return on capital employed by division are shown in the accompanying table.

FINANCIAL POSITION

The amount of liquid funds at the end of the financial year was EUR 70.5 million, as against EUR 25.6 million a year earlier.

During the year loan repayments totalled EUR 7.9 million. No new long-term loans were drawn down. The amount of long-term loans at the end of the year was EUR 35.8 million. Gross capital expenditures during the year came to EUR 25.8 million.

Two properties occupied by Hobby Hall were sold in June to Nordea Life Assurance Finland Ltd for EUR 32.2 million. Stockmann-owned shares in the real-estate management company Pitäjänmäen Kiinteistöt Oy, representing 19.5 per cent of the company's entire shares outstanding, were sold to Varma-Sampo Mutual Pension Insurance Company for EUR 10.8 million in December. Hobby Hall and Stockmann are continuing operations as tenants in the sold premises. The capital freed up from the disposal was used to pay down both short-term and long-term liabilities.

Dividend payouts total EUR 30.6 million.

The equity ratio at the end of the year was 69.7 per cent (69.5 per cent at the end of 2001).

Total contingent liabilities grew by EUR 3.7 million from the end of 2001 and were EUR 68.4 million.

CHANGES IN GROUP MANAGEMENT

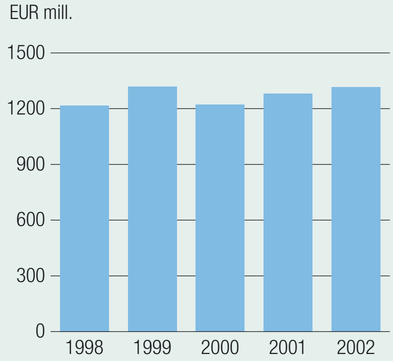
The director of the Department Store Division, Jukka Hienonen, M.Sc. (Econ.), was appointed Group Executive Vice President effective January 1, 2003. Mr Hienonen's operational responsibility as director of the Department Store Division remained unchanged.

The other of Stockmann's two executive vice presidents and the CEO's alternate under the Companies Act is Henri Bucht, M.Sc. (Econ.), who will continue in his previous position as managing director of Hobby Hall.

DIVIDENDS

A dividend of EUR 0.60 per share was paid for the 2001 financial year, or a total of EUR 30.6 million.

Net turnover 1998-2002



Operating profit 1998-2002

Profit before extraordinary items 1998-2002

OPERATING PROFIT AND RETURN ON CAPITAL EMPLOYED	2002 EUR mill.	2001 EUR mill.	change EUR mill.	change %	2002 ROCE %	2001 ROCE %
Department Store Division	**39.7**	34.1	5.6	17	21.0	19.0
Vehicle Division	**5.4**	3.2	2.1	66	13.5	5.4
Hobby Hall*	**0.5**	4.4	-3.9	-89	0.5	4.7
Seppälä**	**10.4**	1.7	8.6	507	52.4	7.5
Real Estate	**16.4**	16.2	0.2	1	11.2	10.7
Other operating income	**8.8**	7.0	1.8			
Eliminations + others	**-19.3**	-20.4	1.1			
Total	**61.9**	46.3	15.7	34	12.6	9.8

The divisions' profits are based on management accounting.
*Hobby Hall's operating profit in 2001 includes a return of value added tax in 1998-2000, amounting to EUR 2.6 million.
**Seppälä's operating profit in 2001 includes EUR 2.5 million of costs and provisions relating to winding up operations in Sweden as well as a loss of EUR 2.7 million on operations in Sweden.

The Board of Directors is proposing to the Annual General Meeting that a dividend of EUR 0.70 per share be paid for the 2002 financial year as well as a bonus dividend of EUR 0.20 per share in honour of the company's 140-year jubilee, or a total of EUR 0.90 per share. The aggregate amount of these dividends is 92.8 per cent of Stockmann's earnings per share.

CAPITAL EXPENDITURES

Capital expenditures amounted to EUR 25.8 million, or EUR 5.3 million less than in the previous year.

The most important expenditure item in 2002 was the Riga department store, for which construction works got under way in the spring. The site required an outlay during the year of EUR 4.9 million and Stockmann's total capital expenditure will be about 24.0 million euros. The building will be completed on schedule in autumn 2003.

The Department Store Division's capital expenditures came to EUR 10.1 million.

The Moscow department store was enlarged in the spring by 1 500 square metres of retail space by leasing one additional floor in the department store building. After the enlargement the department store had a total of 6 500 square metres of retail space. The Academic Bookstore in the centre of Helsinki was enlarged in the summer. The enlargement comprises one additional floor, adding about 500 square metres of new retail space.

A Zara franchise store was opened in Helsinki in leased premises at the beginning of April. The first stores of the Stockmann Beauty cosmetics chain were opened in October in the Jumbo Shopping Centre in Vantaa and in the Trio Shopping Centre in Lahti.

The Vehicle Division's capital expenditures amounted to EUR 0.6 million.

The Hobby Hall Division's capital expenditures totalled EUR 3.2 million. They went for developing the information systems, the new stores in Helsinki's Herttoniemi district and Rocca al Mare in Tallinn, Estonia, as well as for expanding the store in Vantaa's Tammisto district.

The Seppälä Division invested a total of EUR 0.6 million, which went mostly for refurbishing the store network.

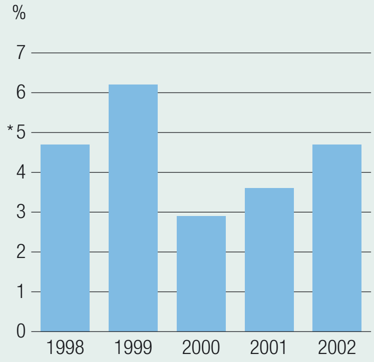
CURRENT PROJECTS

In August, Stockmann signed a Letter of Intent on opening a department store with about 11 000 square metres of retail space in rented premises in the new section of the Jumbo Shopping Centre in Vantaa. According to plans, the department store will be completed in 2005.

Likewise, in August Stockmann signed a preliminary agreement on opening a full-size department store with about 8 000 square metres of floor space in rented premises in the centre of St Petersburg in 2005.

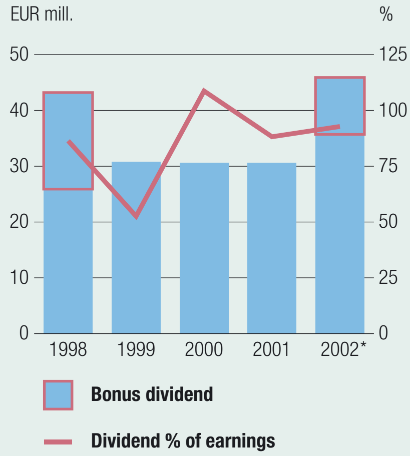
In September Stockmann's Board of Directors approved a plan for enlargement and modification works on the Helsinki department store. According to the plan, the department store's commercial premises will be expanded by about 10 000 square metres by converting existing premises to commercial use and by building new retail space. In addition, completely new goods handling and servicing areas will be built for the department store as well as access passages to the new customer car park. After the enlargement the Helsinki department store will have about 50 000 square metres of retail space. The capital expenditure will amount to about 90 million euros. According to a preliminary estimate, the works are scheduled for completion in their entirety in 2007. The plan is part of a more extensive development project for the centre of Helsinki. Among the project's aims is to convert Keskuskatu into a pedestrian precinct. Carrying out the project calls for a town-plan modification, which has

Operating profit, % of net turnover 1998-2002



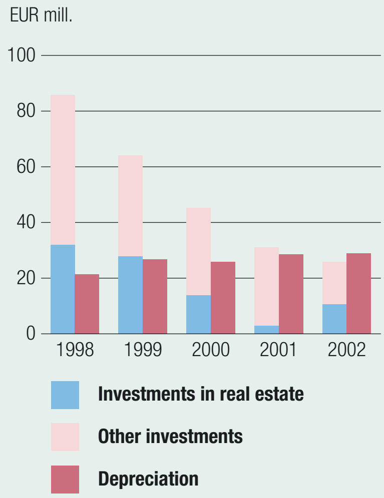
* Long-term minimum target

Dividends for the financial years 1998-2002



* Board proposal to the AGM

Investments and depreciation 1998-2002



already been initiated. In 2003 the outlays for the project will consist mainly of planning and design expenses totalling about 2 million euros.

In October 2002 the Inditex Group of Spain and Stockmann signed an agreement whereby Stockmann obtained Zara franchising rights in the territory of the Russian Federation.

The Riga department store remains the most important capital expenditure in 2003. Construction works at the site got under way in spring 2002. The project will require an outlay of about EUR 15 million during 2003.

Other capital expenditures by the Department Store Division include the opening, during the spring, of Zara stores at the Mega Shopping Centre in Moscow, Helsinki's Itäkeskus Shopping Centre and adjacent to the Turku department store as well as the opening of new Stockmann Beauty stores.

Towards the end of 2002 Hobby Hall carried out pilot marketing for mail order sales in Lithuania, and operations in the country got started in February 2003.

Seppälä's first stores in Latvia will be opened in autumn 2003.

Capital expenditures in 2003 will total about EUR 43 million.

SHARE CAPITAL AND SHARES

The number of the company's shares outstanding at the end of 2002 was 51 384 061, of which 24 868 893 were Series A shares and 26 515 168 were Series B shares.

At the end of 2002 Stockmann held 163 000 of its own Series A shares and 250 000 of its own Series B shares. The nominal value of these shares is a total of EUR 826 000, and they represent 0.8 per cent of all the shares outstanding as well as 0.7 per cent of the total votes. The shares were purchased during 2000.

The Board of Directors does not have valid authorizations to increase the share capital or to float issues of convertible bonds or bonds with warrants or to buy back its own shares.

Stockmann's 1997 Series C share options, totalling 180 000 options, were admitted to the Main List of Helsinki Exchanges as from April 11, 2002.

A total of 1 084 Stockmann plc Series B shares with a nominal value of EUR 2.00 was subscribed for with Stockmann Loyal Customer share options during the subscription period from May 2, 2002, to May 31, 2002. As a consequence of the subscriptions the share capital was increased by EUR 2 168. Following the increase the share capital is EUR 102 768 122. The shares were entered in the Trade Register on June 18, 2002 and they became available for trading on Helsinki Exchanges on June 19, 2002.

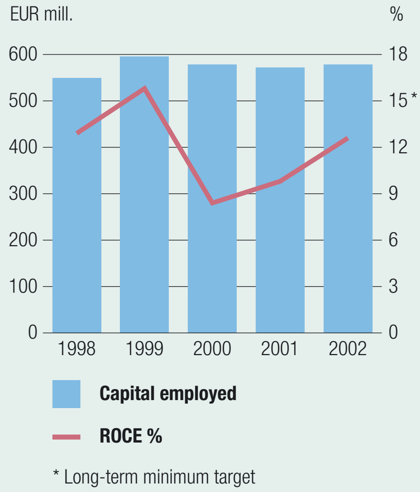
PERSONNEL STRENGTH

Stockmann's payroll at the end of December 2002 was 8 917 employees, or 134 employees more than at the end of the previous year.

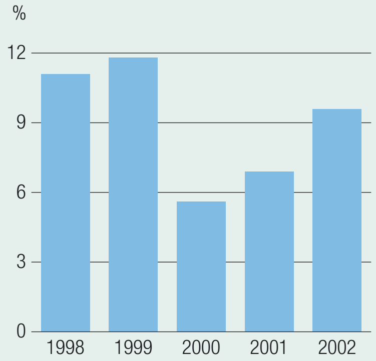
In 2002 Stockmann employed an average of 8 313 people, or 229 more than in the previous year, when the average payroll was 8 084. Converted to full-time staff, the average number of employees increased by 171 and was 6 752. In the parent company, the average number of employees converted to full-time staff increased by 52 and was 4 256.

At the end of 2002 the number of staff

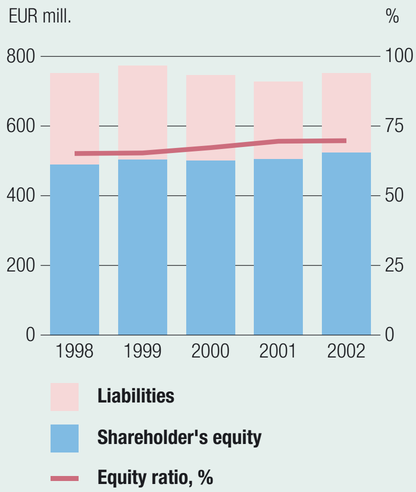
Capital employed and ROCE % 1998-2002



Return on equity 1998-2002



Equity ratio 1998-2002



AVERAGE NUMBER OF EMPLOYEES CONVERTED TO FULL-TIME STAFF	1998	1999	2000	2001	2002
Department Store Division	3 675	3 959	4 092	4 263	4 459
Vehicle Division	620	703	768	790	741
Hobby Hall	498	532	592	688	755
Seppälä	553	659	748	749	705
Management and administration	141	144	95	91	92
Divested business	538	588			
Total	6 025	6 585	6 295	6 581	6 752

working at units abroad was 1 387 employees, or 16 per cent of the entire personnel. At the end of the previous year, 1 281 employees, or 15 per cent of the personnel, were employed at units abroad.

OUTLOOK FOR 2003

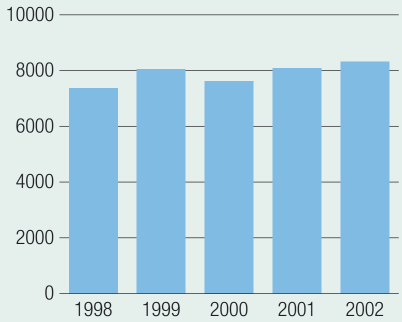
Retail sales excluding the motor trade are estimated to increase by about 3 per cent in Finland in 2003. Sales by the motor trade are also expected to grow as a consequence of the tax reduction decisions that have been taken. It is estimated that the markets in Russia and the Baltic countries will grow faster than the Finnish market. Stockmann's consolidated sales are estimated to grow faster than the market average.

Sales in 2003 are estimated to top EUR 1.7 billion. Stockmann's target is for profit before extraordinary items in 2003 to be higher than the figure reported for 2002.

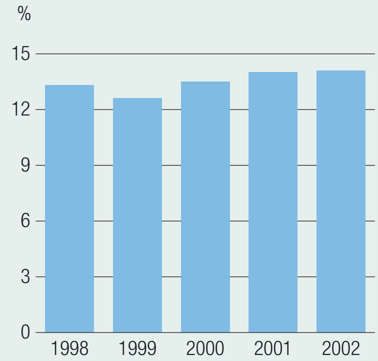
BOARD PROPOSAL FOR THE DISTRIBUTION OF PROFITS

The Board of Directors' proposal for the parent company's dividend is on page 61 of the Annual Report.

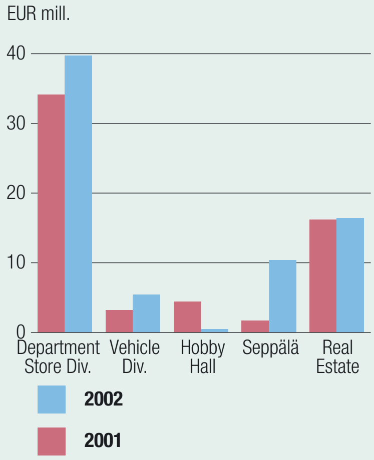
Average number of staff 1998-2002



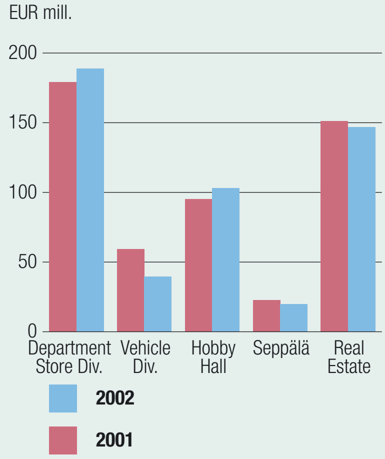
Staff costs 1998-2002, % of net turnover



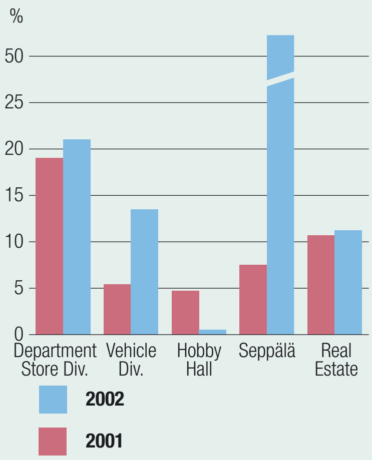
Operating profit according to management accounting 2001-2002



Capital employed 2001-2002



ROCE %* 2001-2002



*Operating profit according to management accounting as a ratio of capital employed

Operating profit shown in management accounting
In calculating operating profit for management accounting purposes, the divisions are charged an internal rent for their own business premises in accordance with the prevailing market rent and they are also charged for centrally produced services. The divisions' operating profit includes the account servicing charges for the Stockmann account as well as the interest share of hire purchase and leasing income. Other operating income is not allocated to the divisions.

Capital employed
Capital employed has been calculated as a 12-month moving average.

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 EUR 2.00 and the shares of both series entitle their holders to an equal dividend.

The company's shares are in the book-entry system. The number of registered shareholders at December 31, 2002, was 13 999 (13 399 shareholders at December 31, 2001) representing 99.9 per cent of the company's shares outstanding.

SHARES

General price trend

Share prices fell by 34.4 per cent during the financial year as measured by the HEX General Index of Helsinki Exchanges and by 16.7 per cent as measured by the HEX Portfolio Index. The retail industry index rose by 8.4 per cent.

Price trend of Stockmann's shares and share options

	Closing prices Dec. 31, 2002 EUR	Closing prices Dec. 31, 2001 EUR	Change %
Series A	13.84	13.70	1.0
Series B	13.80	13.40	3.0
1997 options	1.60		

Turnover of Stockmann's shares and share options

	Number of shares	% of total shares outstanding	EUR	Average price EUR
Series A	378 826	1.5	5 089 593	13.44
Series B	6 145 648	23.2	82 649 593	13.45
Total	6 524 474		87 739 186	
1997 options	69 644	0.3	212 928	3.06

The total value of the Stockmann shares traded was 0.04 per cent of the share turnover on the Helsinki Exchanges. The market capitalization of the company at December 31, 2002, was EUR 710.1 million. The market capitalization at December 31, 2001, was EUR 696 million.

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

SHARE CAPITAL

Share capital of Stockmann plc, December 31, 2002

Series A	24 868 893	shares at EUR 2 each	49 737 786 EUR
Series B	26 515 168	shares at EUR 2 each	53 030 336 EUR
Total	51 384 061	shares at EUR 2 each	102 768 122 EUR

1997 options

The 1997 options are quoted on the Helsinki Exchanges Main List. The total number of options is 360 000. Each option entitles its holder to subscribe for 3.5 Series B shares in Stockmann plc. In the aggregate, the options entitle holders to subscribe for 1 260 000 Series B shares. The subscription period for the shares will continue up to January 31, 2004.

The share subscription price on the basis of the options is EUR 13.21 per share after the 2002 dividend payout proposed by the Board of Directors. By the end of 2002, subscriptions on the basis of the options have not been made. The trade in the 1997 options on the Helsinki Exchanges in 2002 totalled 69 644 options and EUR 212 928.

The trading lot is 100 options.

Key employee share options 2000

In 2000, a total of 2 500 000 share options were granted to key employees belonging to the senior and middle management of Stockmann or its subsidiaries. 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: A April 1, 2003 - April 1, 2007, B April 1, 2004 - April 1, 2007, and C April 1, 2005 - April 1, 2007.

Loyal Customer share options

1 382 524 Loyal Customer share options were subscribed for. During the share subscription period in 2002 a total of 1 084 Series B shares at a price of EUR 13.06 per share were subscribed for on the basis of the subscribed options. As a consequence of the subscriptions, the share capital increased by 2 168 euros to EUR 102 768 122.

The future subscription periods for shares with the Loyal Customer share options are May 2-May 31, 2003, May 2-May 31, 2004 and May 2-May 31, 2005. The dividends payable annually are deducted from the subscription price. The subscription price after the 2002 dividend payout proposed by the Board of Directors is EUR 12.16.

Own shares

At the end of 2002 the company held 163 000 of its own Series A shares and 250 000 of its own Series B shares. The Series A shares owned by the company represent 0.3 per cent of the share capital and 0.6 per cent of all the voting rights. The Series B shares owned by the company represent 0.5 per cent of the share capital and 0.1 per cent of all the voting rights. The shares in the company's possession do not confer voting rights at the Annual General Meetings.

Taxation values of shares in Finland in 2002

The taxation value of the Series A share in 2002 was EUR 9.52 and the taxation value of the Series B share was EUR 9.70.

Changes in the share capital as from January 1, 1998

Subscribed	Subscription period	Subscription price EUR	Number of new shares thousands	Additional share capital EUR million	New total share capital EUR million	Holding %	Proportion of votes %
1998 With warrants of the 1994 bond issue	Jan. 2, 98-Apr. 12, 98	40.37	240 B	0.8	49.4		
1998 Halving of par value	May 12, 98		8 290 A				
			6 395 B		49.4		
1998 Bonus issue 2 A/B : 1A/B	May 12, 98		8 290 A	13.9			
			6 395 B	10.7	74.1		
1998 Share issue 4 A/B : 1B	May 14, 98-June 12, 98	12.61	7 329 B	12.3	86.4		
2000 Bonus issue, increasing of the par value	Sept. 1, 00			16.3	102.8		
2002 With the 1999 Loyal Customer options	May 2.-May 31, 02	13.06	1B		102.8		
Coming subscriptions with share options*							
2000- With the 1997 share options	Jan. 2, 03-Jan.31, 04	16.75/1	1 260 B	2.5	105.3	2.4	0.5
2004		less dividends after May 1, 1998					
2001- Subscr. with 1999 Loyal Customer options	May 2, 03-May 31, 05	15.70/2	1 382 B	2.8	108.0	2.7	0.5
2005		less dividends after April 1, 1999					
2003- Subscr. with 2000 key employee options	Apr. 1, 03-Apr.1, 07	20.00 A/3	625 B				
2007		21.00 B/4	625 B				
		22.00 C/5	1 250 B				
		less dividends after April 11, 2000					
				5.0	113.0	4.6	0.9

*If all options are exercised

1 Subscription price after 2002 dividend payout proposed by the Board of Directors: EUR 13.21

2 Subscription price after 2002 dividend payout proposed by the Board of Directors: EUR 12.16

3 Subscription price after 2002 dividend payout proposed by the Board of Directors: EUR 17.30

4 Subscription price after 2002 dividend payout proposed by the Board of Directors: EUR 18.30

5 Subscription price after 2002 dividend payout proposed by the Board of Directors: EUR 19.30

SHAREHOLDERS

Ownership structure

	Shareholders no.	Shareholders %	Percentage of shares %	Percentage of votes %
Households	12 982	92.7	20.0	19.3
Private and public corporations	496	3.5	16.2	18.2
Banks and insurance companies	55	0.4	6.7	4.1
Foundations and others	372	2.7	52.9	56.9
Foreign shareholders (incl. nominee registrations)	93	0.7	3.4	1.5
Unregistered shares			0.1	0.0
Shares owned by the company	1	0.0	0.8	0.0
Total	13 999	100.0	100.0	100.0

Number of shares

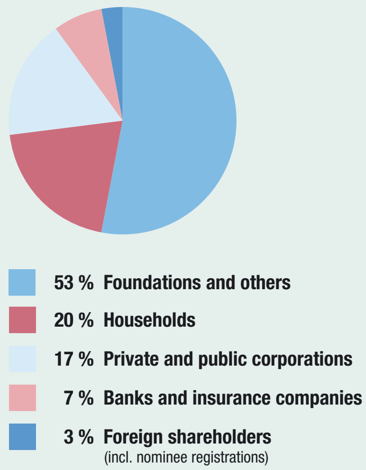
	Shareholders no.	Shareholders %	Percentage of shares %
1-100	3 455	24.7	0.4
101-1000	8 139	58.1	6.3
1001-10000	2 165	15.5	11.1
10001-100000	193	1.4	9.9
100001-	46	0.3	71.5
Shares owned by the company	1	0.0	0.8
Total	13 999	100.0	100.0

Major shareholders at December 31, 2002

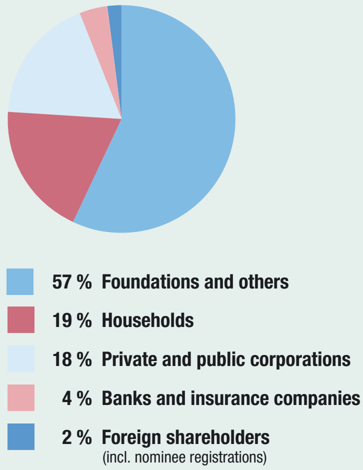
	Percentage of votes %	Percentage of shares %
1 Svenska litteratursällskapet i Finland	14.9	8.6
2 Föreningen Konstsamfundet	14.9	11.6
3 Niemistö grouping	10.6	7.6
4 Etola companies	7.1	5.5
5 Stiftelsen för Åbo Akademi	6.8	5.0
6 Sampo and Varma-Sampo	4.5	2.4
7 Samfundet Folkhälsan i svenska Finland	3.2	2.9
8 Wilhelm och Else Stockmanns Stiftelse	2.6	1.6
9 Jenny ja Antti Wihurin rahasto	2.4	2.4
10 Helene och Walter Grönqvists Stiftelse	1.7	1.1
11 Stiftelsen Bensows Barnhem Granhyddan	1.6	1.3
12 Stiftelsen Brita Maria Renlunds minne	1.0	0.8
13 Inez och Julius Polins fond	1.0	2.1
14 William Thurings stiftelse	0.9	0.7
15 Sigrid Jusélius Stiftelse	0.9	0.7
16 SFV-Foundation	0.6	0.4
17 Ilmarinen Mutual Pension Insurance Company	0.6	3.1
18 Nordea Life Assurance Finland Ltd	0.5	1.1
19 Signe och Ane Gyllenbergs stiftelse	0.4	0.2
20 Pension Fund Polaris	0.4	0.3
Total	76.3	59.5

The holdings in the personal ownership of the members of the company's Board of Directors, CEO and the executive vice president who acts as the CEO's alternate, as well as the ownership of institutions under their control and persons under their guardianship at December 31, 2002 was a total of 6 526 534 shares, which represents a total of 12.7 per cent of the shares outstanding and 16.9 per cent of the voting rights (December 31, 2001: 6 690 751 shares, representing 13.0 per cent of the shares and 16.9 per cent of the voting rights) and 289 831 share options. The share options entitle their holders to subscribe for 386 976 Stockmann plc Series B shares, which would have been 0.8 per cent of the total shares outstanding and 0.1 per cent of all voting rights at December 31, 2002.

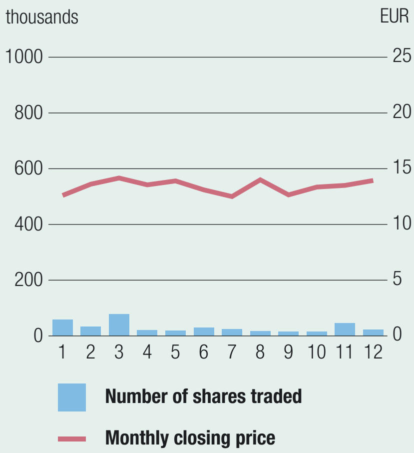
Distribution of shares



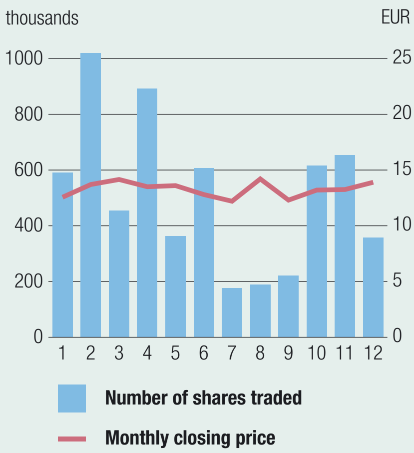
Distribution of votes



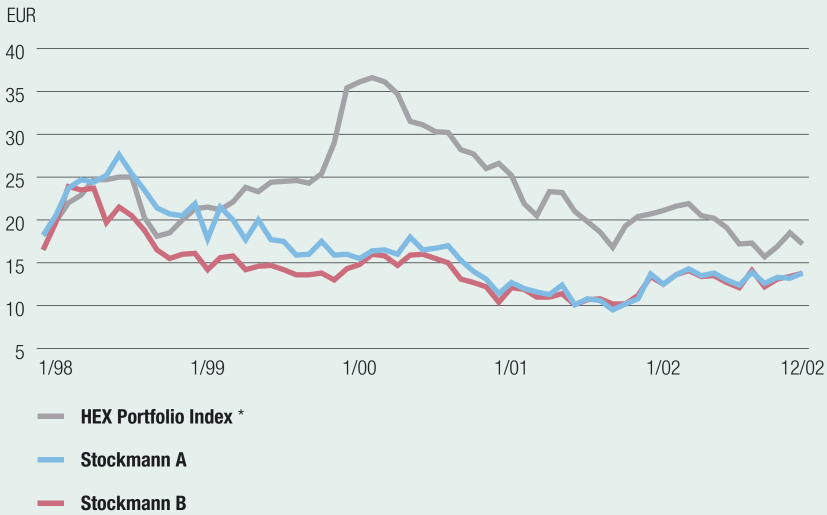
Turnover and price trend of Series A shares in 2002



Turnover and price trend of Series B shares in 2002

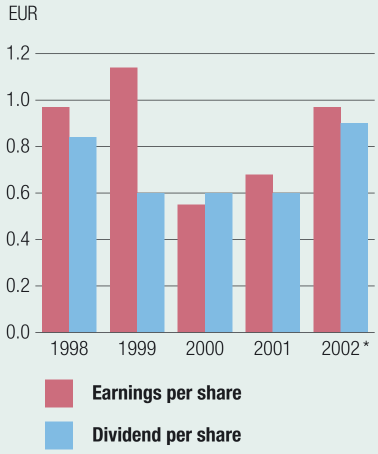


Price trend of Series A and Series B shares (share-issue adjusted) compared with HEX Portfolio Index 1998-2002



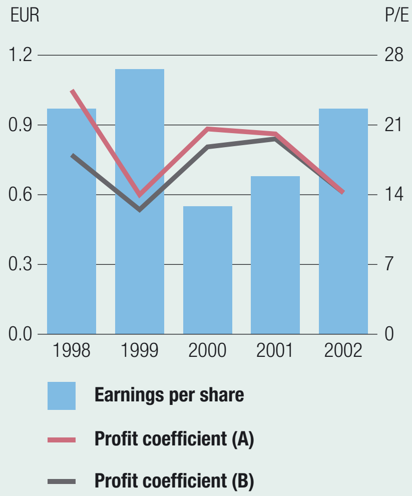
* The weighting of each company in the index is limited to a maximum of 10 per cent.

Earnings per share and dividend per share 1998-2002

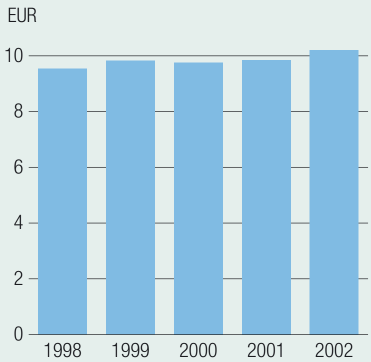


* Dividend according to the Board proposal

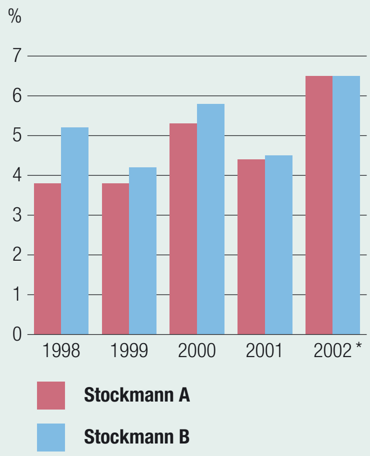
Earnings per share and P/E ratio 1998-2002 (share-issue adjusted)



Equity per share 1998-2002

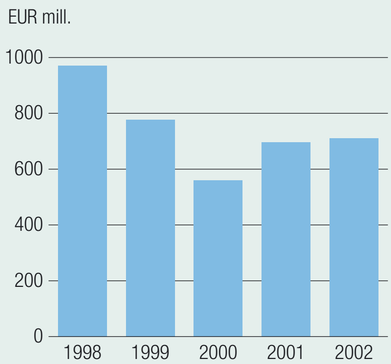


Effective yield of shares 1998-2002



* Dividend according to the Board proposal

Market capitalization 1998-2002



Key figures

		1998	1999	2000	2001	**2002**
Sales	EUR mill.	1 461.4	1 583.9	1 467.9	1 537.6	**1 582.3**
Change on the previous year	%	4.8	8.4	-7.3	4.7	**2.9**
Net turnover	EUR mill.	1 216.5	1 319.6	1 220.5	1 281.9	**1 315.3**
Change on the previous year	%	4.8	8.4	-7.5	5.0	**2.6**
Operating profit	EUR mill.	56.8	81.8	35.7	46.3	**61.9**
Change on the previous year	%	-14.4	44.0	-56.3	29.6	**33.6**
Share of net turnover	%	4.7	6.2	2.9	3.6	**4.7**
Profit before extraordinary items	EUR mill.	61.2	86.7	41.2	51.2	**68.6**
Change on the previous year	%	-12.3	41.6	-52.5	24.2	**34.0**
Share of net turnover	%	5.0	6.6	3.4	4.0	**5.2**
Profit before taxes	EUR mill.	58.8	86.7	40.6	51.2	**68.6**
Change on the previous year	%	-15.8	47.5	-53.2	26.0	**34.0**
Share of net turnover	%	4.8	6.6	3.3	4.0	**5.2**
Share capital	EUR mill.	86.4	86.4	102.8	102.8	**102.8**
Series A	EUR mill.	41.8	41.8	49.7	49.7	**49.7**
Series B	EUR mill.	44.6	44.6	53.0	53.0	**53.0**
Dividends	EUR mill.	43.2	30.8	30.6	30.6	**45.9** *
Return on equity	%	11.1	11.8	5.6	6.9	**9.6**
Return on capital employed	%	12.9	15.8	8.4	9.8	**12.6**
Capital turnover rate		2.2	2.2	2.1	2.2	**2.3**
Equity ratio	%	65.1	65.3	67.2	69.5	**69.7**
Gearing	%	9.0	0.7	9.2	9.1	**-3.4**
Investment in fixed assets	EUR mill.	85.8	64.1	45.1	31.1	**25.8**
Share of net turnover	%	7.0	4.9	3.7	2.4	**2.0**
Interest-bearing debtors	EUR mill.	98.5	117.6	123.2	109.5	**110.3**
Interest-bearing liabilities	EUR mill.	108.4	89.1	87.8	71.6	**52.6**
Interest-bearing net debt	EUR mill.	-54.5	-114.0	-77.1	-63.4	**-128.1**
Total assets	EUR mill.	752.0	773.6	746.8	728.2	**752.7**
Staff expenses	EUR mill.	161.2	166.9	164.8	179.0	**184.9**
Share of net turnover	%	13.3	12.6	13.5	14.0	**14.1**
Personnel, average	persons	7 361	8 041	7 626	8 084	**8 313**
Net turnover per person	EUR thousands	165.3	164.1	160.0	158.6	**158.2**
Operating profit per person	EUR thousands	7.7	10.2	4.7	5.7	**7.4**
Staff expenses per person	EUR thousands	21.9	20.8	21.6	22.1	**22.2**

*) Board proposal to the AGM. According to the proposal, a dividend of EUR 0.70+0.20 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 expenses

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

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

Capital turnover rate = $\dfrac{\text{Net turnover}}{\text{Total assets less deferred tax liability and other non-interest-bearing liabilities (average over the year)}}$

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

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

Interest-bearing net debt = Interest-bearing liabilities less cash in hand and at banks less securities held in current assets less interest-bearing debtors

Per-share data1)		1998	1999	2000	2001	2002	
Earnings per share	EUR	0.97	1.14	0.55	0.68	**0.97**	
Earnings per share, diluted	EUR	0.89	1.14	0.55	0.68	**0.97**	
Equity per share	EUR	9.53	9.82	9.76	9.85	**10.21**	
Dividend per share	EUR	0.84	0.60	0.60	0.60	**0.90**	*
Dividend per earnings	%	86.4	52.6	108.7	88.2	**92.8**	*
Cash flow per share	EUR	0.50	1.99	0.49	1.00	**1.38**	
Effective yield of shares	%						
Series A		3.8	3.8	5.3	4.4	**6.5**	
Series B		5.2	4.2	5.8	4.5	**6.5**	
P/E ratio of shares							
Series A		24.5	14.0	20.6	20.1	**14.3**	**
Series B		18.0	12.5	18.8	19.6	**14.2**	**
Share quotation at December 31	EUR						
Series A		21.86	16.00	11.39	13.70	**13.84**	
Series B		16.08	14.30	10.40	13.40	**13.80**	
Highest price during the period	EUR						
Series A		30.78	23.00	18.20	13.70	**14.85**	
Series B		25.94	17.95	16.50	13.70	**15.00**	
Lowest price during the period	EUR						
Series A		18.00	15.01	10.52	9.50	**11.62**	
Series B		14.30	12.50	9.80	10.00	**11.80**	
Average price during the period	EUR						
Series A		25.41	17.95	15.64	11.43	**13.44**	
Series B		19.36	14.00	14.35	11.07	**13.45**	
Share turnover	thousands						
Series A		2 924	2 479	1 756	3 032	**379**	
Series B		5 194	5 853	4 464	5 467	**6 146**	
Share turnover	%						
Series A		11.8	10.0	7.1	12.2	**1.5**	
Series B		19.6	22.1	16.8	20.6	**23.2**	
Market capitalization at December 31	EUR mill.	970.1	777.1	559.0	696.0	**710.1**	
Number of shares at December 31	thousands	51 383	51 383	51 383	51 383	**51 384**	
Series A		24 869	24 869	24 869	24 869	**24 869**	
Series B		26 514	26 514	26 514	26 514	**26 515**	
Weighted average number of shares	thousands	49 523	51 383	51 237	50 970	**50 971**	
Series A		24 869	24 869	24 829	24 706	**24 706**	
Series B		24 654	26 514	26 408	26 264	**26 265**	
Own shares	thousands			413	413	**413**	
Series A				163	163	**163**	
Series B				250	250	**250**	
Total number of shareholders at December 31		12 669	12 893	12 664	13 399	**13 999**	

1) Adjusted for share issues.

*) Board proposal to the AGM. According to the proposal, a dividend of EUR 0.70+0.20 per share will be paid.

**) The dilution effect of options has been taken into account in the 2002 figures.

Definition of key indicators

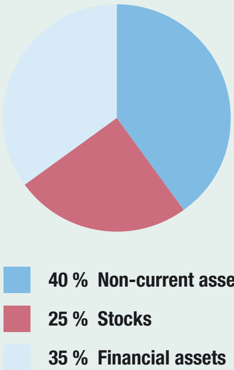
Earnings per share	=	Profit before extraordinary items less income taxes / Average number of shares, adjusted for share issues
Equity per share	=	Capital and reserves / Number of shares on the balance sheet date, adjusted for share issues
Dividend per share	=	Dividend per share, adjusted for share issues
Dividend per earnings, %	= 100 x	Dividend per share / Earnings per share
Cash flow per share	=	Cash flow from operations / Average number of shares, adjusted for share issues
Effective yield of shares, %	= 100 x	Dividend per share, adjusted for share issues / Share quotation at December 31, adjusted for share issues
P/E ratio of shares	=	Share quotation at December 31, adjusted for share issues / Earnings per share
Share quotation at Dec. 31	=	Share quotation on the balance sheet date, adjusted for share issues
Highest share price during the period	=	Highest price of the company's shares during the period, adjusted for share issues
Lowest share price during the period	=	Lowest price of the company's shares during the period, adjusted for share issues
Average share price over the period	=	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 series on the balance sheet date

PROFIT AND LOSS ACCOUNT		STOCKMANN GROUP				STOCKMANN plc			
	Ref.	**Jan.1- Dec. 31, 2002 EUR mill.**	% of net turnover	Jan.1- Dec. 31, 2001 EUR mill.	% of net turnover	**Jan.1- Dec. 31, 2002 EUR mill.**	% of net turnover	Jan.1- Dec. 31, 2001 EUR mill.	% of net turnover
NET TURNOVER	1	**1 315.3**	100.0	1 281.9	100.0	**903.8**	100.0	882.2	100.0
Other operating income	2	**8.8**	0.7	7.0	0.5	**16.7**	1.8	14.9	1.7
Raw materials and services									
Raw materials and consumables:	3								
Purchases during the financial year		**899.7**		860.9		**644.1**		611.2	
Variation in stocks, increase (-), decrease (+)		**-23.3**		9.2		**-17.7**		12.9	
Raw materials and services, total		**876.4**	66.6	870.1	67.9	**626.5**	69.3	624.1	70.7
Staff expenses	4	**184.9**	14.1	179.0	14.0	**138.6**	15.3	134.8	15.3
Depreciation and reduction in value	5	**28.9**	2.2	28.5	2.2	**18.6**	2.1	18.2	2.1
Other operating expenses	6	**172.0**	13.1	165.0	12.9	**87.5**	9.7	82.1	9.3
		1 262.2	96.0	1 242.6	96.9	**871.2**	96.4	859.2	97.4
OPERATING PROFIT		**61.9**	4.7	46.3	3.6	**49.3**	5.5	38.0	4.3
Financial income and expenses:									
Income from Group undertakings	7					**29.6**		59.4	
Income from other investments held as non-current assets		**0.3**		0.5		**0.3**		0.4	
Interest and financial income from Group undertakings						**2.3**		2.7	
Interest and financial income from outside the Group		**10.8**		10.3		**10.2**		9.6	
Reduction in value of non-current investments	8					**-1.6**		-5.2	
Interest and other financial expenses for Group undertakings						**-5.3**		-2.6	
Interest and other financial expenses outside the Group	9	**-4.5**		-5.9		**-3.4**		-5.6	
Financial income and expenses, total		**6.7**	0.5	4.9	0.4	**32.1**	3.6	58.7	6.6
PROFIT BEFORE EXTRAORDINARY ITEMS		**68.6**	5.2	51.2	4.0	**81.4**	9.0	96.6	11.0
Extraordinary items	10								
Extraordinary income						**10.0**			
Extraordinary expenses						**-3.1**			
Extraordinary items, total						**6.9**	0.8		
PROFIT BEFORE TAXES/		**68.6**	5.2	51.2	4.0				
PROFIT BEFORE APPROPRIATIONS AND TAXES						**88.3**	9.8	96.6	11.0
Appropriations	11					**5.7**	0.6	-0.9	-0.1
Income taxes	12.13								
For the financial year		**21.7**		15.6		**27.3**		27.8	
For previous financial years		**-0.1**		0.7		**0.0**		0.2	
Change in deferred tax liability		**-2.7**		0.1					
Income taxes, total		**18.9**	1.4	16.4	1.3	**27.3**	3.0	27.9	3.2
Minority interest		**0.0**		0.0					
PROFIT FOR THE FINANCIAL YEAR		**49.7**	3.8	34.8	2.7	**66.7**	7.4	67.8	7.7

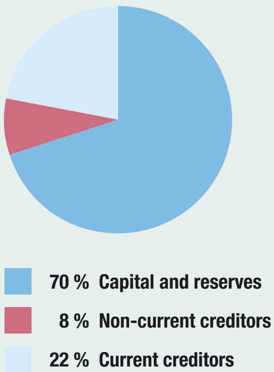
BALANCE SHEET		STOCKMANN GROUP		STOCKMANN plc	
ASSETS	Ref.	**Dec. 31, 2002 EUR mill.**	Dec. 31, 2001 EUR mill.	**Dec. 31, 2002 EUR mill.**	Dec. 31, 2001 EUR mill.
NON-CURRENT ASSETS					
Intangible assets	14				
Intangible rights		**9.8**	10.9	**5.2**	6.2
Goodwill arising on consolidation		**0.0**	0.2		
Goodwill		**0.1**	0.1	**0.0**	0.0
Other capitalized long-term expenses		**24.8**	22.9	**11.5**	12.0
Advance payments and projects in progress		**1.6**	1.8	**1.4**	1.2
Intangible assets, total		**36.3**	35.9	**18.1**	19.4
Tangible assets	15				
Land and water		**20.2**	24.9	**13.8**	15.7
Buildings and constructions		**146.9**	169.6	**133.8**	149.6
Machinery and equipment		**63.1**	72.5	**34.4**	49.0
Other tangible assets		**0.1**	0.1	**0.1**	0.1
Advance payments and construction in progress		**6.1**	0.7	**1.0**	0.4
Tangible assets, total		**236.4**	267.8	**183.2**	214.8
Investments	16				
Holdings in Group undertakings				**45.1**	45.6
Receivables from Group undertakings				**3.7**	3.7
Own shares		**6.2**	6.2	**6.2**	6.2
Other shares and participations		**22.5**	35.6	**18.3**	31.0
Investments, total		**28.7**	41.8	**73.3**	86.5
NON-CURRENT ASSETS, TOTAL		**301.4**	345.5	**274.6**	320.6
CURRENT ASSETS					
Stocks					
Raw materials and consumables		**188.9**	165.6	**123.9**	106.2
Stocks, total		**188.9**	165.6	**123.9**	106.2
Non-current debtors	17				
Trade debtors		**0.5**	0.4	**0.5**	0.4
Loan receivables		**0.2**	0.9	**0.2**	0.9
Other debtors			0.5		
Non-current debtors, total		**0.7**	1.9	**0.7**	1.3
Current debtors	18				
Trade debtors		**169.1**	169.0	**99.8**	96.8
Amounts owed by Group undertakings				**94.7**	77.6
Other debtors		**11.7**	13.2	**5.9**	6.6
Prepayments and accrued income	19	**10.3**	7.4	**5.7**	5.0
Current debtors, total		**191.2**	189.6	**206.1**	186.0
Debtors, total		**191.8**	191.5	**206.8**	187.3
Securities held in current assets	20	**56.6**	6.2	**56.1**	6.2
Cash in hand and at banks		**13.9**	19.5	**6.6**	10.3
CURRENT ASSETS, TOTAL		**451.2**	382.7	**393.3**	309.9
TOTAL		**752.7**	728.2	**667.9**	630.6

BALANCE SHEET		STOCKMANN GROUP		STOCKMANN plc	
LIABILITIES	Ref.	**Dec. 31, 2002 EUR mill.**	Dec. 31, 2001 EUR mill.	**Dec. 31, 2002 EUR mill.**	Dec. 31, 2001 EUR mill.
CAPITAL AND RESERVES	21-22				
Share capital		**102.8**	102.8	**102.8**	102.8
Premium fund		**133.1**	133.1	**133.1**	133.1
Fund for own shares		**6.2**	6.2	**6.2**	6.2
Reserve fund		**0.1**	0.1		
Other funds		**43.7**	43.7	**43.7**	43.7
Retained earnings		**189.2**	185.2	**59.5**	22.3
Net profit for the financial year		**49.7**	34.8	**66.7**	67.8
CAPITAL AND RESERVES, TOTAL		**524.8**	505.9	**412.0**	376.0
MINORITY INTEREST		**0.0**	0.2		
ACCUMULATED APPROPRIATIONS					
Depreciation reserve				**70.7**	76.4
PROVISIONS	23		1.8		
CREDITORS	24-26				
Deferred tax liability		**23.3**	25.9		
Non-current creditors					
Loans from credit institutions		**35.0**	42.7	**35.0**	42.7
Pension loans		**0.8**	1.0	**0.8**	1.0
Non-current creditors, total		**35.8**	43.7	**35.8**	43.7
Current creditors					
Pension loans		**0.3**	0.2	**0.3**	0.2
Trade creditors		**81.7**	62.8	**69.8**	45.1
Amounts owed to Group undertakings				**7.7**	19.3
Other creditors		**41.3**	53.1	**38.6**	45.8
Accruals and prepaid income		**45.5**	34.6	**33.1**	24.1
Current creditors, total		**168.7**	150.7	**149.4**	134.6
CREDITORS, TOTAL		**227.8**	220.3	**185.2**	178.2
TOTAL		**752.7**	728.2	**667.9**	630.6
Distributable funds		**227.5**	202.1	**169.8**	133.9

Assets 2002



Financing 2002



FUNDS STATEMENT	STOCKMANN GROUP		STOCKMANN plc	
	2002 EUR millions	2001 EUR millions	**2002 EUR millions**	2001 EUR millions
CASH FLOW FROM OPERATIONS				
Payments from sales	**1 315.1**	1 271.8	**901.3**	876.6
Payments from other operating income			**9.3**	9.2
Payments for operating expenses	**-1 234.9**	-1 217.7	**-845.5**	-835.8
Cash flow from operations before financial items and taxes	**80.1**	54.1	**65.2**	50.0
Paid interest and payments for other operating financial expenses	**-4.7**	-6.2	**-4.4**	-8.5
Interest received from operations	**11.4**	10.0	**13.1**	12.0
Direct taxes paid	**-16.6**	-6.8	**-10.3**	-7.0
CASH FLOW FROM OPERATIONS (A)	**70.2**	51.1	**63.6**	46.5
CASH FLOW INTO AND FROM INVESTMENTS				
Capital expenditures on tangible and intangible assets	**-27.0**	-31.3	**-5.9**	-21.9
Cash from tangible and intangible assets	**35.3**	1.5	**27.1**	1.5
Capital expenditures on other investments	**0.0**		**-0.3**	0.6
Cash from other investments	**14.2**	8.4	**14.3**	7.7
Group companies divested	**0.8**		**0.8**	
Dividends from investments	**0.2**	0.8	**21.2**	42.7
CASH FLOW INTO AND FROM INVESTMENTS (B)	**23.5**	-20.6	**57.1**	30.6
FINANCIAL CASH FLOW				
Change in loans granted, increase (-), decrease (+)	**0.5**	0.2	**-12.5**	-15.0
Subscriptions with options	**0.0**		**0.0**	
Change in short-term loans, increase (+), decrease (-)	**-10.8**	-6.9	**-23.4**	-35.8
Repayments of long-term loans	**-7.9**	-9.2	**-7.9**	-9.2
Dividend paid and other distribution of profits	**-30.6**	-30.6	**-30.6**	-30.6
FINANCIAL CASH FLOW (C)	**-48.9**	-46.6	**-74.5**	-90.6
Change in cash funds (A+B+C) increase (+), decrease (-)	**44.8**	-16.0	**46.2**	-13.4
Cash funds at start of the financial year	**25.6**	41.7	**16.4**	29.9
Cash funds at end of the financial year	**70.5**	25.6	**62.6**	16.4

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 euros at the exchange rates prevailing 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 euros using the monetary-non-monetary method according to which fixed assets, stocks and equity are translated into euros at the rates prevailing at the time of acquisition and the other balance sheet items at the rates prevailing 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.

Transactions in foreign currencies

At the end of accounting period foreign currency debtors and creditors in the balance sheet are translated at the rates prevailing 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: 5-20 years
- Buildings: 20-50 years
- Machinery and equipment: 4-12 years
- Lightweight store furnishings, motor vehicles and data processing equipment: 4-5 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.

Obligatory provisions

Expenditure to which the company has committed but which has not yet been realized, for example restructuring cost, is shown as obligatory provisions in the balance sheet. Expenses corresponding to the obligatory provisions are included in the income statement in a relevant group of expenses.

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.

Exchange rates		Closing rates	
Country	Currency	Dec.31, 2002	Dec.31, 2001
Russia	RUB	33.5060	26.8750
Estonia	EEK	15.6466	15.6466
Latvia	LVL	0.6140	0.5563
Sweden	SEK	9.1528	9.3012
Lithuania	LTL	3.4525	3.5228

NOTES TO THE PROFIT AND LOSS ACCOUNT	STOCKMANN GROUP 2002	2001	STOCKMANN plc 2002	2001

1. Net turnover

Breakdown of net turnover by market area

EUR mill.	2002	2001	2002	2001
Finland	**1 171.5**	1 149.7	**903.8**	882.2
Russia	**62.4**	56.3		
Estonia	**65.7**	64.7		
Latvia	**15.3**	6.7		
Lithuania	**0.1**			
Sweden	**0.3**	4.5		
Total	**1 315.3**	1 281.9	**903.8**	882.2

2. Other operating income

EUR mill.	2002	2001	2002	2001
Capital gains on divestments	**8.8**	6.6	**7.4**	5.8
Interests of Oy Hobby Hall Ab's value added tax refund		0.4		
Rental income from subsidiaries			**4.5**	4.1
Compensation for services to Group companies			**4.8**	5.0
Total	**8.8**	7.0	**16.7**	14.9

3. Gross margin

EUR mill.	2002	2001	2002	2001
Net turnover	**1 315.3**	1 281.9	**903.8**	882.2
Raw materials and consumables	**899.7**	860.9	**644.1**	611.2
Variation in stocks	**-23.3**	9.2	**-17.7**	12.9
Gross profit	**438.9**	411.9	**277.3**	258.1
Gross profit/net turnover (%)	**33.4**	32.1	**30.7**	29.3

4. Staff expenses

EUR mill.	2002	2001	2002	2001
Salaries and emoluments paid to the CEO and his alternate	**1.1**	1.0	**0.5**	0.5
Salaries and emoluments paid to the Board of Directors	**0.2**	0.1	**0.2**	0.1
Other wages and salaries	**144.8**	139.6	**108.6**	105.5
Wages during sick leave	**3.8**	3.6	**2.7**	2.5
Pension expenses	**22.1**	21.3	**16.8**	16.3
Other staff costs	**12.9**	13.3	**9.7**	9.9
Total	**184.9**	179.0	**138.6**	134.8

Group and parent company staff, average

	2002	2001	2002	2001
Finland	**7 058**	6 839	**5 362**	5 269
Russia	**643**	587	**2**	1
Estonia	**590**	580	**1**	1
Latvia	**19**	11		
Sweden	**3**	67		
Total	**8 313**	8 084	**5 365**	5 271

Age breakdown of staff

%	2002	2001	2002	2001
Under 24 years old	**19.5**	22.4	**16.4**	19.9
25 - 34 years old	**33.2**	31.8	**33.6**	32.5
35 - 44 years old	**21.2**	20.0	**21.2**	19.6
45 - 54 years old	**13.9**	14.5	**14.6**	15.0
55 - 65 years old	**12.2**	11.3	**14.2**	13.0
Total	**100.0**	100.0	**100.0**	100.0

Loans to persons closely associated with the company

EUR mill.	2002	2001
Loans granted to the managing directors and members of the Board of Directors	**0.0**	0.1

The loans have been granted for a 5-year period. 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 CEO is 60 years. Annual payments are made to provide for these commitments.

NOTES TO THE PROFIT AND LOSS ACCOUNT	STOCKMANN GROUP 2002	2001	STOCKMANN plc 2002	2001

5. Depreciation and reduction in value

EUR mill.				
Intangible rights	**3.2**	2.8	**2.1**	1.9
Goodwill arising on consolidation	**0.2**	0.3		
Goodwill	**0.1**	0.1	**0.0**	0.1
Other capitalized long-term expenses	**3.9**	3.7	**1.9**	1.9
Buildings and constructions	**5.4**	5.8	**4.4**	4.6
Machinery and equipment	**16.2**	15.9	**10.3**	9.6
Total	**28.9**	28.5	**18.6**	18.2

6. Other operating expenses

EUR mill.				
Site expenses	**73.8**	68.6	**45.7**	41.0
Marketing expenses	**38.8**	39.6	**12.4**	12.8
Goods handling expenses	**15.6**	15.1	**4.8**	5.0
Credit losses	**4.3**	2.6	**0.3**	0.3
Voluntary staff costs	**3.1**	3.0	**2.0**	2.1
Other costs	**36.5**	36.1	**22.3**	20.8
Total	**172.0**	165.0	**87.5**	82.1

7. Financial income

EUR mill.				
Income from holdings in Group undertakings				
Dividend from Seppälä Oy			**29.6**	59.4
Total			**29.6**	59.4

Interest and financial income from outside the Group

EUR mill.				
From interest-bearing trade debtors	**9.6**	8.8	**9.6**	8.8
Other	**1.2**	1.5	**0.6**	0.8
Total	**10.8**	10.3	**10.2**	9.6

8. Reduction in value of non-current investments

EUR mill.				
Write-down on receivables of SPL Seppälä AB			**1.6**	5.2
Total			**1.6**	5.2

9. Interest and other financial expenses outside the Group

EUR mill.				
Foreign exchange losses and gains (net)	**0.5**	0.2	**0.5**	0.2
Other interest and financial expenses paid to parties outside the Group	**3.9**	5.8	**2.8**	5.5
Total	**4.5**	5.9	**3.4**	5.6

10. Extraordinary items

EUR mill.				
Contributions from Group companies			**10.0**	
Contributions to Group companies			**-3.1**	
Total			**6.9**	

11. Appropriations

EUR mill.				
Change in depreciation reserve				
Intangible rights			**0.0**	0.1
Goodwill				0.1
Other capitalized long-term expenses			**0.4**	0.4
Buildings and constructions			**2.1**	-0.2
Machinery and equipment			**3.2**	-1.2
Total			**5.7**	-0.9

12. Income taxes

EUR mill.				
Income taxes on ordinary operations for the financial year	**21.7**	15.6	**15.1**	10.8
Income taxes on dividends received from subsidiaries			**8.6**	17.2
Income taxes on extraordinary items			**2.0**	
Income taxes on ordinary operations from previous financial year	**-0.1**	0.7	**0.0**	0.2
Change in deferred tax liability	**-2.7**	0.1		
Tax payable on appropriations			**1.6**	-0.3
Total	**18.9**	16.4	**27.3**	27.9

13. Surplus taxes*

EUR mill.				
Unused surplus taxes	**52.3**	50.5	**33.8**	9.9

* 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 GROUP 2002	2001	STOCKMANN plc 2002	2001

Non-current assets

The presentation of non-current assets has been changed such that the fully depreciated portion has been subtracted from the acquisition cost and accumulated depreciation. The retroactive change has been made to the opening balances for 2001.

14. Intangible assets

EUR mill.

	Group 2002	Group 2001	plc 2002	plc 2001
Intangible rights				
Acquisition cost Jan. 1	**18.4**	17.1	**11.9**	11.9
Increases Jan. 1-Dec. 31	**2.2**	4.2	**1.1**	2.6
Decreases Jan. 1-Dec. 31	**-1.5**	-2.9	**-1.3**	-2.7
Acquisition cost Dec. 31	**19.2**	18.4	**11.7**	11.9
Accumulated depreciation Jan. 1	**7.5**	7.5	**5.7**	6.5
Depreciation on reductions	**-1.3**	-2.8	**-1.3**	-2.7
Depreciation for the financial year	**3.2**	2.8	**2.1**	1.9
Accumulated depreciation Dec. 31	**9.4**	7.5	**6.6**	5.7
Book value Dec. 31	**9.8**	10.9	**5.2**	6.2
Goodwill arising on consolidation				
Acquisition cost Jan. 1 and Dec. 31	**2.4**	2.4		
Accumulated depreciation Jan. 1	**2.1**	1.8		
Depreciation for the financial year	**0.2**	0.3		
Accumulated depreciation Dec. 31	**2.3**	2.1		
Book value Dec. 31	**0.0**	0.2		
Goodwill				
Acquisition cost Jan. 1	**0.3**	0.3	**1.1**	1.1
Increases Jan. 1-Dec. 31		0.0		0.0
Acquisition cost Dec. 31	**0.3**	0.3	**1.1**	1.1
Accumulated depreciation Jan. 1	**0.2**	0.1	**1.1**	1.0
Depreciation for the financial year	**0.1**	0.1	**0.0**	0.1
Accumulated depreciation Dec. 31	**0.2**	0.2	**1.1**	1.1
Book value Dec. 31	**0.1**	0.1	**0.0**	0.0
Other capitalized long-term expenses				
Acquisition cost Jan. 1	**37.7**	35.8	**20.2**	19.3
Increases Jan. 1-Dec. 31	**5.8**	2.9	**1.4**	1.8
Decreases Jan. 1-Dec. 31	**-1.2**	-1.0	**-0.9**	-0.9
Acquisition cost Dec. 31	**42.3**	37.7	**20.7**	20.2
Accumulated depreciation Jan. 1	**14.8**	12.2	**8.2**	7.2
Depreciation on reductions	**-1.2**	-1.0	**-0.9**	-0.9
Depreciation for the financial year	**3.9**	3.7	**1.9**	1.9
Accumulated depreciation Dec. 31	**17.5**	14.8	**9.2**	8.2
Book value Dec. 31	**24.8**	22.9	**11.5**	12.0
Advance payments and projects in progress				
Acquisition cost Jan. 1	**1.8**	1.2	**1.2**	1.1
Increases Jan. 1-Dec. 31	**1.6**	1.8	**1.4**	1.2
Transfers between items	**-1.8**	-1.2	**-1.2**	-1.1
Book value Dec. 31	**1.6**	1.8	**1.4**	1.2
Intangible assets, total	**36.3**	35.9	**18.1**	19.4

15. Tangible assets

EUR mill.

	Group 2002	Group 2001	plc 2002	plc 2001
Land and water				
Acquisition cost Jan. 1	**19.0**	19.1	**9.8**	9.9
Increases Jan. 1-Dec. 31	**0.1**	0.1		0.0
Decreases Jan. 1-Dec. 31	**-4.8**	-0.2	**-1.9**	-0.2
Acquisition cost Dec. 31	**14.3**	19.0	**7.9**	9.8
Revaluations Jan. 1 and Dec. 31	**5.9**	5.9	**5.9**	5.9
Book value Dec. 31	**20.2**	24.9	**13.8**	15.7
Buildings and constructions				
Acquisition cost Jan. 1	**187.2**	186.0	**158.4**	157.5
Increases Jan. 1-Dec. 31	**5.1**	2.6	**2.7**	2.4
Decreases Jan. 1-Dec. 31	**-23.9**	-1.5	**-15.5**	-1.5
Acquisition cost Dec. 31	**168.3**	187.2	**145.6**	158.4
Accumulated depreciation Jan. 1	**44.1**	38.6	**35.4**	31.0
Accumulated depreciation on divestments	**-1.3**	-0.3	**-1.3**	-0.3
Depreciation on reductions	**-0.3**		**-0.3**	
Depreciation for the financial year	**5.4**	5.8	**4.4**	4.6
Accumulated depreciation Dec. 31	**48.0**	44.1	**38.3**	35.4
Revaluations Jan. 1 and Dec. 31	**26.5**	26.5	**26.5**	26.5
Book value Dec. 31	**146.9**	169.6	**133.8**	149.6

NOTES TO THE BALANCE SHEET	STOCKMANN GROUP 2002	2001	STOCKMANN plc 2002	2001
			42.6	
Machinery and equipment				
EUR mill.				
Acquisition cost Jan. 1	**128.7**	120.5	**82.6**	77.6
Increases Jan. 1-Dec. 31	**10.7**	20.8	**3.9**	14.9
Decreases Jan. 1-Dec. 31	**-11.8**	-12.6	**-12.1**	-9.9
Acquisition cost Dec. 31	**127.6**	128.7	**74.4**	82.6
Accumulated depreciation Jan. 1	**56.2**	52.4	**33.7**	33.6
Depreciation on reductions	**-7.9**	-12.2	**-3.9**	-9.6
Depreciation for the financial year	**16.2**	15.9	**10.3**	9.6
Accumulated depreciation Dec. 31	**64.5**	56.2	**40.0**	33.7
Book value Dec. 31	**63.1**	72.5	**34.4**	49.0

Other tangible assets				
Acquisition cost Jan. 1	**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	**0.7**	0.8	**0.4**	0.6
Increases Jan. 1-Dec. 31	**6.1**	0.7	**1.0**	0.4
Transfers between items	**-0.7**	-0.8	**-0.4**	-0.6
Acquisition cost Dec. 31	**6.1**	0.7	**1.0**	0.4
Book value Dec. 31	**6.1**	0.7	**1.0**	0.4

Tangible assets, total	**236.4**	267.8	**183.2**	214.8

Revaluations included in balance sheet values				
EUR mill.				
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 then estimates of real-estate valuers.

Taxation and fire insurance values				
EUR mill.	**2001**	2000	**2001**	2000
Taxation values				
Land and water	**78.5**	78.5	**72.3**	74.4
Holdings in Group undertakings			**105.1**	135.8
Other shares	**21.3**	14.9	**18.2**	10.9
Buildings				
Taxation values	**30.1**	45.8	**25.7**	37.5
Fire insurance values	**277.2**	330.9	**261.9**	271.3

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

16. Investments				
EUR mill.				
Holdings in Group undertakings				
Acquisition cost Jan. 1			**45.6**	45.3
Increases Jan. 1-Dec. 31			**0.3**	0.3
Decreases Jan. 1-Dec. 31			**-0.7**	
Book value Dec. 31			**45.1**	45.6

Receivables from Group undertakings				
Book value Jan. 1			**3.7**	4.6
Increases Jan. 1-Dec. 31				4.3
Decreases Jan. 1-Dec. 31				-5.2
Book value Dec. 31			**3.7**	3.7

Own shares				
Acquisition cost Jan. 1	**6.2**	6.2	**6.2**	6.2
Book value Dec. 31	**6.2**	6.2	**6.2**	6.2

NOTES TO THE BALANCE SHEET	STOCKMANN GROUP 2002	2001	STOCKMANN plc 2002	2001
Other shares and participations				
EUR mill.				
Acquisition cost Jan. 1	**35.6**	37.7	**31.0**	32.9
Increases Jan. 1-Dec. 31	**0.0**		**0.0**	
Decreases Jan. 1-Dec. 31	**-13.2**	-2.1	**-12.8**	-1.9
Book value Dec. 31	**22.5**	35.6	**18.3**	31.0
Investments, total	**28.7**	41.8	**73.3**	86.5

Shares and participations

Group undertakings

Parent company holdings	Number	Shareholding %	Voting rights %	Currency	Par value in given currency thousands	Book value, EUR thousands	Shareholders' equity EUR thousands
ZAO Kalinka-Stockmann, Moscow	583 450	100	100	RUB	58 345	3 561	-604
ZAO Stockmann-Krasnoselskaya, Moscow	100	100	100	RUB	55	8	0
Auto-Oriketo Oy, Turku	40 000	100	100	EUR	673	771	739
Espoon Autotalo Oy, Espoo	400	100	100	EUR	11	463	35
Tikkurilan Autocenter Oy, Helsinki	4 000	100	100	EUR	673	796	653
Kambrium Oy, Helsinki	50	100	100	EUR	9	222	10
Kiinteistö Oy Friisinkeskus II, Espoo	1 948	97	97	EUR	9	612	734
Kiinteistö Oy Hgin Valurinkatu 1, Helsinki	100	100	100	EUR	17	17	18
Kiinteistö Oy Luistelijanvuori, Vantaa	72	100	100	EUR	13	1 218	181
Kiinteistö Oy Länsi-Kaisla, Espoo	20	100	100	EUR	9	1 544	26
Kiinteistö Oy Muuntajankatu 4, Helsinki	50	100	100	EUR	9	3 272	2 190
Kiinteistö Oy Stävö, Helsinki	50	100	100	EUR	9	9	9
Kiinteistö Oy Vantaan Kiitoradantie 2, Vantaa	100	100	100	EUR	17	17	18
Kiinteistö Oy Vantaan Rasti, Vantaa	388	100	100	EUR	505	4 922	4 461
Oy Hobby Hall Ab, Helsinki	120 000	100	100	EUR	10 092	18 802	62 674
Oy Hullut Päivät-Galna Dagarna Ab, Helsinki	40	100	100	EUR	11	11	11
Oy Suomen Pääomarahoitus-Finlands Kapitalfinans Ab, Helsinki	1 000	100	100	EUR	1 682	1 682	2 384
Seppälä Oy, Helsinki	30 000	100	100	EUR	5 046	5 046	12 307
Z-Fashion Finland Oy, Helsinki	50	100	100	EUR	9	8	8
SIA Stockmann, Riga	125 000	100	100	LVL	250	425	279
SIA Stockmann Centrs, Riga	31 500	63	63	LVL	63	116	61
UAB Stockmann Centras, Vilnius	100	100	100	LTL	10	3	6
Stockmann AS, Tallinn	1 800	100	100	EEK	18 000	1 136	5 040
TF-Autokeskus Oy, Vantaa	600	100	100	EUR	11	455	294
Spikkotten AB, Stockholm	1 000	100	100	SEK	100	12	-2 534
Parent company holdings, total						45 128	89 000

Holdings of subsidiaries	Number	Shareholding %	Voting rights %	Currency	Par value in given currency thousands	Book value, EUR thousands	Shareholders' equity EUR thousands
Bullworker Myynti Oy, Helsinki	100	100	100	EUR	8	8	297
Oy Concert Hall Society Ab, Helsinki	10	100	100	EUR	0	0	0
Hobby Hall AB, Stockholm	1 000	100	100	SEK	100	11	9
ZAO Kalinka-Stockmann STP, St Petersburg	100	100	100	RUB	30 000	5	799
Group undertakings owned by subsidiaries, total						24	1 105
Group undertakings, total						45 153	90 105

Other undertakings

Parent company holdings	Number	Shareholding %	Currency	Par value in given currency thousands	Book value, EUR thousands
Oy Kamppiparkki Ab, Helsinki	50	6.1	EUR	168	1 556
Kiinteistö Oy Raitinkartano, Espoo	1 029	15.6	EUR	87	5 533
Kiinteistö Oy Tapiolan Säästötammi Fastighets Ab, Espoo	3 125	37.8	EUR	258	6 242
Tuko Logistics Oy, Kerava	540	9.0	EUR	908	3 553
Others				2 165	1 382
Parent company holdings, total					18 266

NOTES TO THE BALANCE SHEET

Holdings of subsidiaries	Number	Shareholding %	Cur-rency	Par value in given currency thousands	Book value, EUR thousands
Arabian Kiinteistö Oy, Helsinki	5 174	51.3	EUR	17	2 522
Arabian Pienteollisuustalo Oy, Helsinki	1 590	12.0	EUR	1	995
Others					675
Other undertakings owned by subsidiaries, total					4 192
Other Group-owned undertakings, total					22 458

The market value of the other publicly traded shares owned by parent company and subsidiaries exceeded the book value by EUR 0.3 million on December 31, 2002.
The book value of the Stockmann own shares held by the parent company exceeded the market value on December 31, 2002, by EUR 0.6 million.

CHANGES IN GROUP STRUCTURE

UAB Stockmann was founded in Lithuania at the beginning of 2002. The company will carry on Hobby Hall's mail order sales operations in Lithuania from the beginning of 2003. In July 2002 the Kiinteistö Oy Vantaan Valimotie 11 shares were sold to Nordea Life Assurance Finland Ltd as part of the sale of Hobby Hall's properties.

Debtors

17. Non-current debtors

EUR mill.	STOCKMANN GROUP 2002	STOCKMANN GROUP 2001	STOCKMANN plc 2002	STOCKMANN plc 2001
Interest-bearing trade debtors	**0.5**	0.4	**0.5**	0.4
Interest-bearing loan receivables	**0.2**	0.9	**0.2**	0.9
Other debtors		0.5		
Non-current debtors, total	**0.7**	1.9	**0.7**	1.3

18. Current debtors

EUR mill.	2002	2001	2002	2001
Interest-bearing trade debtors	**109.3**	107.9	**41.9**	38.7
Non-interest bearing trade debtors	**59.8**	61.1	**57.9**	58.1
Trade debtors, total	**169.1**	169.0	**99.8**	96.8
Amounts owed by Group undertakings			**94.7**	77.6
Other debtors	**11.7**	13.2	**5.9**	6.6
Prepayments and accrued income	**10.3**	7.4	**5.7**	5.0
Current debtors, total	**191.2**	189.6	**206.1**	186.0

The Group's interest-bearing trade debtors include one-time credits on mail order sales of EUR 67.5 million in 2002 and EUR 69.2 million in 2001. 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.

19. Essential items in prepayments and accrued income

EUR mill.	2002	2001	2002	2001
Deferred annual discounts	**0.8**	0.5	**0.8**	0.5
Periodized financial income and expenses	**0.0**	1.8	**0.0**	0.1
Deferred indirect employee costs	**1.4**	0.9	**1.2**	0.5
Other	**8.1**	4.1	**3.7**	3.8
Total	**10.3**	7.4	**5.7**	5.0

20. Difference between cost and market value of securities held in current assets

Securities held in current assets consist primarily of publicly traded bonds and notes.

EUR mill.	2002	2001	2002	2001
Market value Dec. 31	**56.6**	6.4	**56.1**	6.4
Book value Dec. 31	**56.6**	6.2	**56.1**	6.2
Difference	**0.0**	0.2	**0.0**	0.2

NOTES TO THE BALANCE SHEET	STOCKMANN GROUP 2002	2001	STOCKMANN plc 2002	2001
21. Changes in capital and reserves				
EUR mill.				
Share capital				
Series A shares Jan. 1 and Dec. 31	**49.7**	49.7	**49.7**	49.7
Series B shares Jan. 1	**53.0**	53.0	**53.0**	53.0
Subscriptions with options	**0.0**		**0.0**	
Series B shares Dec. 31	**53.0**	53.0	**53.0**	53.0
Share capital, total	**102.8**	102.8	**102.8**	102.8
Premium fund Jan. 1	**133.1**	133.1	**133.1**	133.1
Subscriptions with options	**0.0**		**0.0**	
Premium fund Dec. 31	**133.1**	133.1	**133.1**	133.1
Fund for own shares Jan. 1 and Dec. 31	**6.2**	6.2	**6.2**	6.2
Reserve fund Jan. 1 and Dec. 31	**0.1**	0.1		
Other funds Jan. 1 and Dec. 31	**43.7**	43.7	**43.7**	43.7
Retained earnings Jan. 1	**219.9**	215.8	**90.1**	53.0
Distribution of profit	**-30.7**	-30.7	**-30.7**	-30.7
Total	**189.2**	185.2	**59.5**	22.3
Net profit for the financial year	**49.7**	34.8	**66.7**	67.8
Capital and reserves, total	**524.8**	505.9	**412.0**	376.0
Breakdown of distributable funds Dec. 31				
EUR mill.				
Other funds	**43.7**	43.7	**43.7**	43.7
Retained earnings	**189.2**	185.2	**59.5**	22.3
Depreciation difference entered in capital and reserves	**-55.1**	-61.6		
Net profit for the financial year	**49.7**	34.8	**66.7**	67.8
Total	**227.5**	202.1	**169.8**	133.9
Depreciation reserve				
EUR mill.				
Accumulated depreciation difference included in capital and reserves	**55.1**	61.6		
Deferred tax liability	**22.5**	25.1		

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

Par value euro 2,00	Number of shares	EUR mill.
Series A shares (10 votes each)	24 868 893	49.7
Series B shares (1 vote each)	26 515 168	53.0
Total	51 384 061	102.8

23. Obligatory provisions

Obligatory provisions in 2001 included a total of EUR 1.8 million of rental, salary and other expenses which were connected with winding up the Seppälä Division's operations in Sweden and were paid in 2002.

24. Deferred taxes liability

EUR mill.	2002	2001
From depreciation reserve	**22.5**	25.1
From periodization differences	**0.8**	0.8
Total	**23.3**	25.9

NOTES TO THE BALANCE SHEET	STOCKMANN GROUP 2002	2001	STOCKMANN plc 2002	2001

25. Essential items in accruals and prepaid income

EUR mill.				
Accrued wages and salaries	**7.8**	6.3	**5.7**	5.2
Accrued holiday pay	**17.4**	16.7	**12.2**	12.3
Accrued interest	**0.4**	0.5	**0.4**	0.5
Periodization of mail-order returns	**1.6**	1.6		
Accrued taxes	**10.3**	1.6	**8.3**	
Accrued rents	**0.3**	0.3		
Other accruals	**7.8**	7.7	**6.4**	6.1
Total	**45.5**	34.6	**33.1**	24.1

26. Creditors

EUR mill.				
Deferred tax liability	**23.3**	25.9		
Non-current interest-bearing liabilities	**35.8**	43.7	**35.8**	43.7
Current interest-bearing liabilities	**16.9**	28.0	**16.9**	28.0
Current non-interest-bearing liabilities	**151.9**	122.7	**132.6**	106.6
Total	**227.8**	220.3	**185.2**	178.2

27. Security pledged, contingent liabilities and other commitments

EUR mill.				
Security pledged				
Liabilities for which mortgages on real-estate have been pledged as security				
Pension loans Dec. 31	**1.0**	1.3	**1.0**	1.3
Mortgages given	**1.8**	1.8	**1.8**	1.8
Mortgages pledged as security, total	**1.8**	1.8	**1.8**	1.8
Other security pledged on behalf of the company				
Mortgages given	**1.7**	1.7	**1.7**	
Security pledged	**0.1**	0.1	**0.1**	0.1
Total	**1.8**	1.8	**1.8**	0.1
Security pledged on behalf of Group undertakings				
Guarantees			**1.4**	0.6
Total			**1.4**	0.6
Security pledged on behalf of associated companies				
Guarantees		0.5		0.5
Total		0.5		0.5
Leasing commitments				
Payable during the 2003 financial year	**0.6**	0.4	**1.7**	0.3
Payable at a later date	**0.8**	0.5	**8.6**	0.4
Total	**1.4**	1.0	**10.3**	0.7
Other own commitments				
Repurchase commitments for transferred leasing and hire purchase agreements	**63.5**	59.7	**63.5**	59.7
Total	**63.5**	59.7	**63.5**	59.7
Commitments, total				
Mortgages	**3.4**	3.4	**3.4**	1.8
Pledges	**0.1**	0.1	**0.1**	0.1
Guarantees		0.5	**1.4**	1.1
Other commitments	**64.9**	60.7	**73.8**	60.4
Total	**68.4**	64.7	**78.8**	63.3

Lease agreements on business premises

EUR mill.	**2002**
Minimum rents payable on the basis of binding lease agreements on business premises	
Within one year	**43.3**
Falling due in more than one year and a maximum of five years	**121.4**
After five years	**163.6**
Total	**328.3**

28. Pension liabilities

The pension liabilities of Group companies are insured with outside pension insurance companies.
The international subsidiaries have taken care of the employee pension arrangements in accordance with local legislation.
The pension liabilities are fully covered.

NOTES TO THE BALANCE SHEET	STOCKMANN GROUP 2002	2001

29. Derivative instruments of the Group

EUR mill.	December 31, 2002	December 31, 2001
Nominal value		
Foreign exchange derivatives	11.4	30.3
Interest rate derivatives	80.0	70.0
Fair value		
Foreign exchange derivatives	0.0	-0.3
Interest rate derivatives	-0.8	0.3

Derivatives are related to the hedging of future cash flows from operations.

PROPOSAL FOR THE DISTRIBUTION OF PARENT COMPANY PROFIT

According to the Consolidated Balance Sheet, the distributable funds at December 31, 2002, were EUR 227.5 million.

The parent company's distributable funds according to the balance sheet at December 31, 2002, were EUR 169.8 million.

According to the Parent Company Balance Sheet at December 31, 2002, the following amounts are at the disposal of the Annual General Meeting:

• retained earnings, including the Contingency fund	EUR	103 185 000.96
• net profit for the financial year	EUR	66 658 182.31
	EUR	169 843 183.27

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

on the 50 971 061 shares owned by external parties be paid

• a dividend of EUR 0.70 per share for the 2002 financial year	EUR	35 679 742.70
• a 140-year jubilee dividend of EUR 0.20 per share	EUR	10 194 212.20
• to be carried forward to the Contingency fund and Retained earnings	EUR	123 969 228.37
	EUR	169 843 183.27

Helsinki, February 12, 2003

BOARD OF DIRECTORS

Lasse Koivu

Erik Anderson *Erkki Etola* *Eva Liljeblom*

Kari Niemistö *Christoffer Taxell* *Henry Wiklund*

CEO

Hannu Penttilä

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 CEO of Stockmann plc for the year ended 31 December 2002. 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 CEO. 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 CEO have complied with the rules of the Finnish Companies Act.

In our opinion, the financial statements have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company result of operations, as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Board of Directors and the CEO 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, 14 February 2003

Wilhelm Holmberg
Authorized Public Accountant

Krister Hamberg
Authorized Public Accountant

CORPORATE MANAGEMENT AND ADMINISTRATION

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Chief Executive Officer *Hannu Penttilä*
Executive Vice President *Henri Bucht,* responsible for the Hobby Hall Division
Executive Vice President *Jukka Hienonen,* responsible for the Department Store Division

Chief Financial Officer *Pekka Vähähyyppä*
Company Lawyer *Jukka Naulapää*
Corporate Communications, Manager *Juhana Häme*
Finance Manager *Eva Mansikka-Mikkola*
Group Controller *Eija Herttuainen*
Information Technology, Director *Päivi Hokkanen*
Internal Audit, Manager *Tapio Helle*
Personnel Director *Merja Lönnroth-Laaksonen*
Technical Director *Thomas Lönnberg*
Treasurer *Pirkko Salminen*

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MANAGEMENT

Jukka Hienonen, Director of the Department Store Division
Karl Stockmann, Helsinki Department Store and Department Stores in Finland
Jussi Kuutsa, International Operations
Maaret Kuisma, Marketing
Leena Lassila, Purchasing: Fashion
Lars Eklundh, Purchasing: Non-fashion Goods, International Operations
Risto Penttilä, Administration

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Tiina Kuusisto, Marketing
Memme Ilmakunnas, Children's and Men's Wear, Cosmetics
Anja Rissanen, Ladies' Wear

STORES IN FINLAND
Alajärvi, Espoo (4), Forssa, Hamina, Haukipudas, Heinola, Helsinki (8), Hollola, Huittinen, Hyvinkää, Hämeenlinna (2), Iisalmi, Imatra (2), Joensuu (2), Jyväskylä (3), Jämsä, Järvenpää, Kaarina, Kajaani, Kangasala, Kankaanpää, Karhula (2), Kauhajoki, Kauhava, Kemi, Kemijärvi, Kempele, Kerava, Keuruu, Kirkkonummi, Klaukkala, Kokkola (2), Kotka, Kouvola (3), Kuopio (3), Kurikka, Kuusamo, Kuusankoski, Lahti (3), Lappeenranta (2), Lapua, Laukaa, Lempäälä, Lieksa, Lohja, Loimaa, Loviisa, Mikkeli, Muurame, Mäntsälä, Naantali, Nastola, Nivala, Nokia, Orimattila, Oulu (3), Palokka, Parainen, Pello, Pieksämäki, Pietarsaari, Pirkkala, Pori (3), Porvoo, Raahe, Raisio, Rauma, Riihimäki, Rovaniemi, Salo, Savonlinna, Seinäjoki (2), Siilinjärvi, Sodankylä, Tammisaari, Tampere (5), Tornio, Turku (5), Uusikaupunki, Vaasa, Valkeakoski, Vammala, Vantaa (4), Varkaus, Ylivieska, Ylöjärvi, Äänekoski.

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