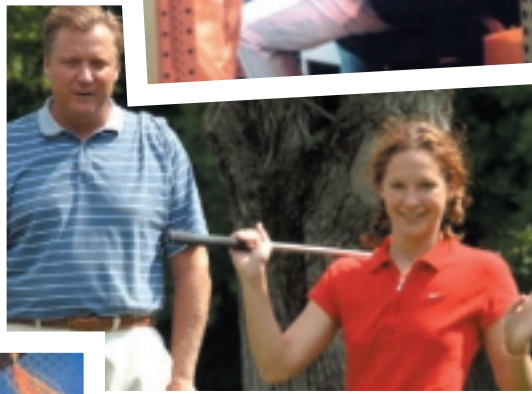




RIGHT PEOPLE
RIGHT VALUES
RIGHT TIME



MORE EMPHASIS ON
"HOMETOWN VALUES."



URBANOLGY

congratulate Trudy N.
& store # 175 Team!
GREAT 2002 RESULTS!

"It is the people highlighted throughout the annual report and all of our teammates who will deliver on our plans."



Cultural
Renewal
Comm. Meeting
7 AM THURSDAY



Twill skirt. Two sty.
Sizes 4-18. Reg. 19.
8.99
Sale
Stripe lace-up crew
stripes. XS-XL. Reg.
16.99
Sale
Denim capris.
Sizes 4-18. Reg. 19.
14.99
Sale
Three-quarter sleeve
lace-up top. S-XL. R.
18.99
Sale
Stretch denim hips
Sizes 4-18. Reg. 22.
Washers and plus size apparel sale



Serving our country.



BAILEY'S POINT

spring '03

it's in the air

NorthCrest®

Pamida



Financial Highlights

| In thousands (except per share data) | Fiscal Years Ended | |
|---------------------------------------------------------------------|--------------------------------|--------------------------------|
| | February 1, 2003 (52 weeks) | February 2, 2002 (52 weeks) |
| Consolidated Net Sales | \$ 3,240,187 | \$3,373,935 |
| Net Earnings (Loss) (1) | \$ (144,819) | \$ 28,217 |
| Earnings from Continuing Operations (2) | \$ 41,233 | \$ 28,217 |
| Diluted Earnings (Loss) per Common Share (1) | \$ (4.95) | \$.98 |
| Diluted Earnings from Continuing Operations per Common Share (2) | \$ 1.41 | \$.98 |
| Weighted Average Number of Common Shares Outstanding - Diluted | \$ 29,218 | \$ 28,838 |

1) Includes cumulative effect of accounting change of \$186.1 million (\$6.36 per dilutive share) due to the adoption of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets."

2) The Company believes this pro forma information provides additional information useful in analyzing the underlying ongoing business results but these non-GAAP financial metrics should be considered in addition to and not as a substitute for the listed GAAP measures.

Business Description

ShopKo Stores, Inc., a Fortune 500 company headquartered in Green Bay, Wisconsin, is a customer-driven retailer of quality goods and services in two very distinct market environments; mid-sized to larger cities like Omaha, Nebraska and Salt Lake City, Utah and the smaller communities of rural America like Lancaster, Wisconsin. Our retail operations include 363 stores in 23 states as of April 1, 2003. One hundred forty one stores are operated as ShopKo stores and 222 stores as Pamida stores in cities and towns throughout the Midwest, Western Mountain and Pacific Northwest.

ShopKo Retail

The ShopKo division is a multi-department retailer committed to offering quality merchandise, services and value to meet customers' needs for home, family basics, casual apparel and seasonal products along with a special emphasis on retail health, operating in-store pharmacies and optical centers. ShopKo operates clean, safe stores with a goal of providing each customer with an excellent shopping experience so they will return to shop again. ShopKo strives to differentiate itself from its competition by meeting customer needs more quickly and conveniently, and by anticipating the needs of its customers' changing lifestyles.

ShopKo's corporate headquarters is located in Green Bay, Wisconsin.

Pamida Retail

The Pamida division offers consumers in small, rural communities a convenient one-stop shopping format. A typical store carries a broad assortment of value-priced hardlines and softlines merchandise including consumables and convenience items. Presently 89 stores have pharmacies. Pamida stores are located in small towns where there is less competition from other retailers and its merchandising strategy is to provide customers with a reliable and convenient family shopping experience featuring nationally advertised brand-name products as well as select private-label merchandise at competitive prices.

Pamida's corporate headquarters is located in Omaha, Nebraska.

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| 8 | Better inventory management | | Form 10K |
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To Our Shareholders

Fiscal year 2002 was a good year in many respects but there were a few areas where we came up short. We are moving rapidly to institute the changes necessary to make both our ShopKo and Pamida divisions more competitive for the future. But, before we comment on what's ahead, let's start first with a report on our just completed year.

2002 Business Goals

Factors we cannot control – the economy, political events and consumer confidence – were negative influences this year. Consumer confidence, in particular, reached a nine-year low during the all important holiday season. Despite those trends, we achieved each of the three goals outlined in last year's letter to shareholders.

- Liquidity improved substantially as net debt was reduced by \$182 million. This was in addition to the \$198 million reduction in 2001, resulting in our lowest debt level in five years.
- Pamida's earnings from operations recovered substantially from the depressed levels of 2001 and the rate of decline in comparable store sales lessened as the year progressed.
- Profitability, excluding the charge related to the adoption of SFAS No. 142, increased considerably.

2002 Results

Our sales trends were a disappointment. Consolidated sales were \$3,240.2 million compared with \$3,373.9 million last year (\$3,318.0 million excluding closed stores). No new stores were opened and Pamida closed two stores.

ShopKo division comparable store sales declined 1.1 percent for the year. The trend through the year tended to follow consumer confidence, up in the first half and down in the second half. Pamida division comparable store sales declined 4.8 percent but the rate of decline lessened each quarter. This improving trend reflected operational improvements, better in-stock conditions and a more aggressive promotional stance in the second half of the year.

The reported net loss for the year was \$144.8 million, or \$4.95 per diluted share, after the charge for the write-off of goodwill related to the Pamida acquisition. This charge was incurred pursuant to the adoption of a new accounting pronouncement, SFAS No. 142. Excluding that \$186.1 million charge, net earnings for the year would have been \$41.2 million, or \$1.41 per

diluted share. Fiscal 2001 earnings were \$28.2 million, or \$0.98 per diluted share, after including a charge for the amortization of goodwill which was \$5.1 million, or \$0.18 per diluted share.

Both years' results included credits to earnings for reductions in our LIFO reserve for inventory. The pretax credit in fiscal 2002 was \$2.8 million, or \$0.06 per diluted share; the prior year's pretax credit was \$16.2 million, or \$0.34 per diluted share. The credits reflect a decline in product cost, which has been our experience for each of the past six years.

ShopKo Division Highlights

Our ShopKo division delivered solid results for 2002 in what was, and remains, a difficult retailing environment. The fourth quarter in particular was very challenging because of some disruptions to our advertising plans due to the longshoreman's work stoppage and because of the highly promotional holiday season.

Merchandise margins improved for the year and expenses were well controlled. Inventory was reduced for the second year in a row, particularly in the distribution centers and store backrooms. The reduction has not affected merchandise on the shelf. However, increased expenses, sales softness and the swing in the LIFO credit, discussed above, led to a decline in operating profit for the year.

The year also saw newness and continued improved performance in key merchandise areas. Most notable was the launch of a new private label apparel brand, Bailey's Point. This provided additional trend and fashion in the ladies area and was carried over to the men's area as well.

Our retail health businesses – pharmacy and optical – also had an excellent year and now represent 27 percent of the ShopKo division's sales. The future prospects for these areas are quite promising, so we intend to explore additional opportunities.

Our biggest challenge for 2003 is to restore ShopKo's sales growth. The combination of a strengthened management team, new advertising and merchandising initiatives and continued emphasis on retail health should move us in the right direction.

However, sustainable long term sales growth will require investments in store renovations and new stores. It is our current intention to do just that beginning in 2004.

Pamida Division Highlights

2002 was a successful transition year, marked by a return to profitability. Operating profit improved to \$11.3 million compared with an operating loss of \$12.7 million in 2001. Gross margin expansion, which reflected reduced shrink and a move to convenience pricing coupled with well managed expenses, drove the improvement.

Management's focus on better execution and operational improvement were key contributors to the results. Despite an overall reduction in inventory, in-stock conditions improved for both regular and advertised merchandise.

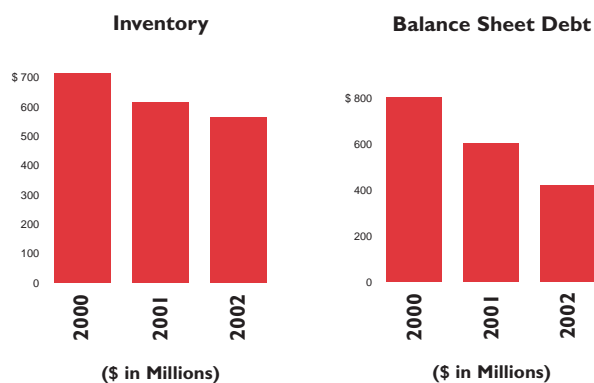
We also modified the operating model, defining the merchandising strategy as one of convenience and value. This strategy includes adding more private label and value brands, as well as additional merchandise categories such as snack food and junior apparel.

Fourteen pharmacies were added to existing stores during the year, bringing the total count to 89 pharmacies. Pamida benefits from adding a pharmacy to its existing stores the same way ShopKo does and plans to keep expanding into this area. Fifteen to 17 new pharmacies are planned for 2003.

Moving 2003 sales upward will be Pamida's major challenge. The increased advertising in the second half of 2002 was beneficial and will be continued in 2003. New "Hometown Values" products have had good acceptance so far, and Pamida plans to expand the offerings. Planned additional pharmacies will help also as will, we expect, the modest prototype revisions discussed later in this letter.

Capital and Financing Plans

Capital expenditures during fiscal 2002 totaled \$31 million, plus we spent another \$2.5 million on pharmacy file buys. During the past two years our capital expenditures totaled about \$50 million, while at the same time we reduced our net debt by \$380 million. A substantial portion of this improvement was derived from inventory reductions.



With the solid improvement in the company's financial health, we are now resuming our focus on investing for long-term growth rather than investing substantially all of our cash flow in debt reduction.

As announced last fall, the board of directors approved an \$80 million capital plan for fiscal 2003. We are making excellent progress with these plans. To assist in developing a clear product position, we have engaged the services of a leading consulting firm in retail and consumer products. Together we will define corporate merchandising and marketing strategies which will build upon the newly defined position.

A new prototype is being developed for ShopKo with plans to be tested by renovating an existing store in Wisconsin. When the work is completed later this year, the store's appearance will be substantially different with significant decor and merchandising changes throughout.

Pamida is also testing prototype changes, though on a less ambitious scale. Eleven stores are being modified to reduce space devoted to softlines and add consumables and convenience oriented items. The customers served by these 11 stores will also receive a different version of the weekly advertising inserts to further support the merchandising differentiation.

Both divisions are developing plans for new stores. Pamida is exploring the possibility of opening a small number of stores by taking over available existing buildings. We expect this to keep both the cost, and the risk, low. ShopKo's new units will likely be built from the ground up and, therefore, are not expected to open until late in 2004. Both divisions are focusing on markets in existing operating regions.

Technology is also an area with a renewed emphasis. We realize that teammate productivity, effectiveness and morale are directly related to the quality of the "tools" provided for their jobs, so we're upgrading in a number of areas. For example, we are currently in the process of installing an upgraded store scheduling system. Pamida's merchandising system was upgraded last spring as was our corporate general ledger. None of this will leapfrog us ahead of competition, but rather will allow us to be more competitive.

We believe we can finance our entire 2003 capital plan from operating cash flow and anticipate another year of net debt reduction. However, the change will be substantially smaller than the \$380 million net debt reduction of the past two years – forecasted to be in the range of \$50 million to \$75 million. This reduction would be inclusive of retiring an issue of senior notes due in August 2003.

It is important to add here that we also are operating with a somewhat different decision making philosophy with respect to analyzing and approving capital projects. While it has always been ShopKo's practice, the emphasis on rigorous financial analytic approaches has increased substantially. We believe this will provide the necessary improved balance between business judgment and financial discipline.

Management Organization

The past year has been quite significant in terms of our senior management organization. Jeff Girard, vice chairman, finance and administration, came aboard in April and also served as interim CEO through October. We thank Jeff for his leadership and assistance during the transition.

Steve Andrews joined us in October as senior vice president, general counsel and Dan Bolstad joined us two months ago as senior vice president, store operations and logistics. Their addition to the senior management team provides a greater depth of experience and insight in areas critical to our success.

Bringing Dan on board allowed us to separate the management of our retail health operations and our ShopKo store operations. This will permit Mike Bettiga, who previously had dual responsibilities, to focus entirely on the retail health business for both ShopKo and Pamida, as we believe retail health strategies will play an increasingly important role in our business.

In January 2003 we reorganized ShopKo's merchandising, advertising and replenishment areas, promoting Kevin Easton to executive vice president and ShopKo division chief merchandising officer. We also promoted Doug Wurl to senior vice president, general merchandise manager of hard/home. These changes were designed to achieve tighter integration between our merchandising organization and the support functions within advertising and replenishment. We believe this will create a stronger, merchandising driven business.

Corporate Governance

Our outlook for the year ahead is positive but we realize that generating sales growth in a troubled economy, plagued by weakened consumer sentiment, will be difficult. Despite this, ShopKo will approach the challenge focused on its goals and fostering a culture of integrity.

The accounting and other corporate scandals during the past two years have led to a number of statutory and regulatory changes for corporations. ShopKo management and the board of directors have carefully reviewed the requirements with outside counsel and other experts. ShopKo was already following most of the required processes and the few which were new to us have been put in place or will be in place before the required dates.

We also want to welcome Richard Zona, CPA, to our board of directors. Rick has an extensive background in banking and finance, and will be a welcome addition to our board. Rick will also serve on the audit committee.

Closing

Although this letter mentions a handful of senior executives, all they and we can do is set the tone and direction. It is the people highlighted throughout the annual report and all of our teammates who will deliver on our plans. We want to personally thank the 25,000 ShopKo and Pamida teammates who contributed to the success realized in 2002 and who will be responsible for our success in 2003.

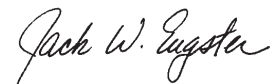
We have budgeted for an improvement in ShopKo's comparable store sales and an increase in corporate earnings. Given the economic environment, this will be quite a challenge, but the new merchandising leadership is moving rapidly to experiment and change where appropriate.

Pamida's improvement should come from fine tuning the changes begun in 2002 along with the "mini" remodels currently underway for 2003. And both divisions are working hard to prepare for a resumption of disciplined growth in 2004.

We made important progress toward returning ShopKo to financial and competitive good health in 2002 and are excited by the opportunities we see for 2003. Thank you for the confidence and trust you demonstrate by your investment.



Sam Duncan
President and
Chief Executive Officer



Jack W. Eugster
Chairman of the Board

A Q & A session with Sam Duncan

Q: What attracted you to ShopKo?

A: I was very excited that the board of directors selected me to lead this regional company. I spent my entire career with regional retail companies and like the challenges and opportunities. ShopKo has a strong foundation, and as I've found over the past few months, great people with an outstanding work ethic.

Q: What are the opportunities you see with ShopKo?

A: In assessing the remarkable progress over the past two years in a very difficult environment, I am inspired by how much capacity this company has for change and how the team-mates rose to meet the most difficult challenges. Because of their efforts, we are now on solid financial footing and poised to come out of our self imposed period of investing in debt reduction to begin investing in growth. Be assured that our investment will be carefully targeted and made with the demands of appropriate financial stewardship.

Q: Would you share your plan for long-term growth?

A: Nothing positions us better for long-term growth than a focus on store productivity and continued financial discipline. Store productivity involves four areas we are focusing on at this time: Repositioning of ShopKo stores' merchandising to build traffic counts and sales; adding convenience and greater value to Pamida's offering; expanding the retail health business in both divisions and possibly in a new format; and leveraging technology to improve profit margins. Elsewhere in this annual report there are more detailed descriptions of where we stand with each of these initiatives. As we move further along in developing each area we will share our results.

Q: Pamida accomplished a considerable turnaround this year. To what do you attribute that success?

A: The Pamida management team did an excellent job executing its plan for recovery, which is much easier said than done. Substantial efforts were made to better control inventories. Shrink improved steadily throughout the year, as a result of the right tone at the top and a great effort throughout the company. Last, marketing, advertising and store services all made changes to attract customers and deliver better customer service.

Q: Should shareholders expect additional Pamida improvement in 2003?

A: I know I do. There are many factors which may prevent further improvement, but I believe the division is headed in the right direction. Pamida's in-stock condition improved substantially in 2002 and it's even better this year. The modifications to the marketing and advertising plans have improved the sales trend. Merchandising is also making changes with the introduction of "Hometown Values" products, principally in consumables. Early consumer reaction has been good, and the division is expanding the effort rapidly. Last, the testing of mini-remodels is moving along well and encouragingly, consumers are reacting positively to the early changes.

Q: Tell us more about your plans for retail health?

A: This has been just a tremendous business for us. The pharmacy and optical businesses have been an important part of ShopKo's philosophy since its founding. These two businesses represent 27 percent of ShopKo division sales and 16 percent of Pamida division sales last year. These are the

Enhancing experience from the ground up

The floors in ShopKo Store 098 in Eugene, Oregon are so clean and shiny, corporate visitors thought they were still wet. "They said, can we walk on them," recalls maintenance module lead Tom Stephens, "and I said, unless you can fly." Making the store experience a pleasant one for customers and for everyone who works there is a goal Tom embraces whole-heartedly. For 13 years he has lead the maintenance team with an attention to detail and a positive attitude. Taking personal pride in the appearance of the store is part of Tom's work ethic. "The better the store looks," he explains, "the more customers will want to shop here."



fastest growing segments of the business in both divisions, and demographic trends are favorable, with industry sources predicting annual growth potential in the range of 11 percent to 14 percent over the next four years.

We plan to capitalize on these trends, with Pamida working to substantially increase the pharmacy portion of its business. Fourteen in-store pharmacies were added in 2002, bringing the year end pharmacy count to 89 units. We would like to add an even greater number in 2003.

We also realigned management to support these efforts. Our retail health management team now focuses solely on managing and growing this business; previously, the senior executive responsible for retail health split his time by also overseeing the ShopKo division's main store operations.

To further leverage our retail health and management expertise, responsibility for ShopKo's merchandising related products, such as over-the-counter and health & beauty aids was transferred to the retail health group. Finally, one executive is now focused solely on developing new pharmacy opportunities.

Q: Do you see potential for growth in retail health outside of the traditional ShopKo and Pamida stores?

A: We are considering other opportunities for leveraging our expertise and success with retail health. The demographic trends are favorable, as noted earlier. The company experimented in the past with a mail order pharmacy – which was

the seed for the subsequently divested ProVantage business. ShopKo also experimented with freestanding optical centers and audiology departments. We plan to aggressively examine opportunities for retail health expansion in the coming years.

Q: How would you describe your management style?

A: I'll describe what I value in our executives and management, and let that speak for my style. I believe in candor and frank talk, not platitudes. I'm operating with a sense of urgency and I expect the same from the rest of our team.

Effectiveness is also critical. Running fast is important, but success will be measured in how we achieve our goals. Last, there will be accountability. The investment of thousands of shareholders and 25,000 teammates is at stake, and we will not allow poor performance or poor performers to be a drag on the company.



Making hard work look easy

A dedicated group of ShopKo and Pamida distribution and logistics teammates worked together to reduce expenses in 2002. Their solutions improved distribution center scheduling and receiving practices, streamlined product flow and reduced overall inventory levels. By making better use of the distribution network capacity, the company was able to close one of its older, less efficient distribution centers. A true team effort.



Getting the teen attitude

What do teens want? A place to go with friends and shop for cool clothes that won't break their budgets. That's what trend manager Jana Graham and creative designer Erin Leanna found out when they put together focus groups of girls ages 13 through 17. These children of employees were quick to share their favorite ideas and biggest turn-offs as Jana and Erin expertly guided their discussion. The result was some great input that Jana and Erin used to help shape Urbanology, the ShopKo teen "boutique" that generated great buzz.

Toward a merchant driven organization

More than ever, customers are looking for trend-right merchandise at a great price. Recently, the ShopKo division reorganized its merchandising functions to better focus on exceeding customer expectations when it comes to assortment, service and value. In aligning the advertising and replenishment teams with the merchandising team under the leadership of a single chief merchant, we are positioned to respond rapidly and with sharper focus on our customers' changing lifestyle needs.

With new, revitalized leadership in pricing, advertising, store operations, distribution, product development, trend services, and merchandising, we're shaking things up to find a better way to deliver a great customer experience. These new leaders, some from within and others from outside our organization, understand that creativity counts, that teammates can have fun while doing the right thing for the company, and that a calculated risk is sometimes a risk worth taking.

At ShopKo, we are all merchants. ShopKo buyers choose the product and make sure it's trend-right, the product development team ensures the right quality, replenishment experts determine the quantity and our distribution team delivers the product to our stores. The pricing, advertising and signing teams provide the right sales message, merchandise presentation for the stores is planned, and store teammates do the selling.

We're keeping an eye on trends and on our competitors, streamlining processes and moving fast to bring new products to our stores and our customers. That's what it means to be merchant driven.



Better inventory management

Inventory reduction was an essential element of our debt reduction in 2002. Armed with driven, talented ShopKo and Pamida teams, we embarked on a collaborative effort to optimize the supply chain. We believed there were efficiencies to be gained from the flow of goods from our vendor partners to our distribution facilities, and to our stores and customers.

Fortunately, both divisions already had integrated distribution networks, so the opportunity came in the way of inventory management techniques. By utilizing the systems in place, we changed the criteria for ordering merchandise, flowing merchandise, and stocking it in our stores. Importantly, this transition was not noticeable by the customer.

Because of these improvements, we had less inventory and were flowing it closer to need. Both divisions experienced gross margin rate improvements. Consolidated inventory decreased \$51 million in 2002 and days of inventory on hand in our distribution facilities decreased by 11 days.

Overall, the effort in supply chain management allowed us to exceed our debt reduction target for 2002. Even though these initiatives were launched as part of a debt reduction strategy, we have found this to be a far better way to operate and plan to continue reducing inventory in 2003.

The look of a leader

When Jack Van Dong joined us in 1981, he set out on a road to leadership that would take him to the far-flung reaches of our ShopKo universe. From his job as a part-time cashier in Eau Claire, Wisconsin, Jack made his way through the store, taking on assignments on the salesfloor, at the service desk, in maintenance and eventually in management. He traveled to Spencer, Iowa for his first Store Team Leader assignment, and then honed his management skills in Kingsford, Michigan and Ashwaubenon, Wisconsin. Now, as Regional Director for Region I in Green Bay, Jack is known for his ability to teach and motivate a team, getting the most out of each team member and calling on the wisdom born of long experience to help people overcome obstacles to reach their full potential. All that, and he's the friendliest guy you'd ever want to meet - that's what makes him a ShopKo leader.



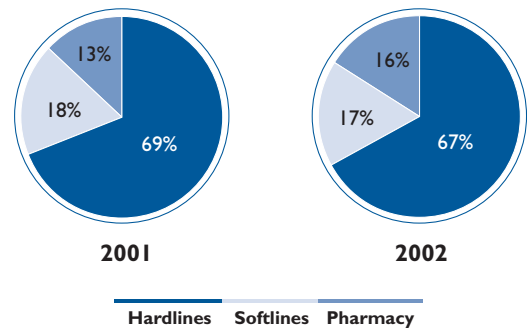


Contributing at work and in the community

The renewed spirit and can-do attitude in our Pamida stores has come about because team members like Jennifer Camden have taken up the cause. Nif, as her teammates call her, has led the way with ideas to make the work place better and to facilitate a productive team. As a Pamida employee relations specialist at the corporate headquarters in Omaha, Nebraska, Nif handles all difficult and delicate situations with skill and kindness. And she generously extends her expertise and caring to the community by actively leading a local Explorer group (related to Boy Scouts of America) and participating in the Omaha chapter of the Society for Human Resources' diversity committee.



Pamida Sales Mix: Pharmacy Growing



Understanding the personality of Pamida

Pamida made great strides in 2002, defining opportunities for the division. Now we are launching plans to maximize those opportunities and make Pamida more unique in the markets it serves.

In these small, rural communities where convenience and value are paramount, we have listened closely to our customer and given new meaning to Pamida's longstanding "Hometown Values" credo.

To these customers, Pamida is one of the major retailers in their hometown – in some locations, the only major retailer. Pamida customers enjoy the convenience of shopping close to home, saving the time and expense of driving several miles to the next closest retail destination.

And more than ever Pamida is focused on providing value to customers, with more promotional buys and merchandise displays organized by exceptional price points.

End stand displays are being used for advertised and value priced merchandise and the message to the customer is very clear – we've got the products you need at prices you can afford.

There's more to come. We'll continue to add the convenience of pharmacies (see next page) and are testing a new Pamida prototype with greater focus on convenience, consumables and hardlines, and less emphasis on apparel.

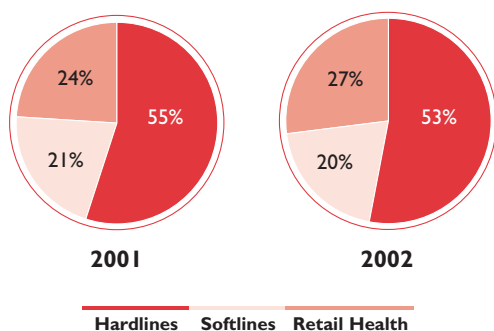
One thing is certain: the Pamida team is up for the challenge. Fortified by recent success and having learned from the challenges of the past two years, Pamida teammates have the determination and can-do spirit that comes only from achieving success the hard way. They understand the work is far from finished and are focused on implementing 2003 plans.

The right spirit moves mountains

Or, at least, climbs them. And Michele Janzen, senior optical buyer at ShopKo headquarters in Green Bay, Wisconsin has such spirit. In February she climbed Africa's highest mountain, Mount Kilimanjaro in Tanzania. Her feat was part of Climb for Sight 2003, an organization which combats child blindness and provides eyecare to youth in Guatemala. With the goal of raising \$10,000 for to be used for sight-saving surgeries, Michele was eager to tackle the 19,336-foot peak, saying, "It seemed like the perfect opportunity to make a difference."



ShopKo Sales Mix: Retail Health Services Growing



Growing Retail Health Services

Our pharmacy and optical departments are major components of our company, representing 27 percent of the ShopKo division's sales for 2002, while the in-store pharmacy business represented 16 percent of the Pamida division's sales. Supporting this growth in 2002, we purchased 11 pharmacy files for existing ShopKo pharmacies, opened 14 new pharmacies in Pamida stores and bought two pharmacy files for existing Pamida pharmacies.

We believe this business continues to represent significant opportunity for our company. According to industry experts, the overall pharmacy sector sales alone are projected to grow at an annual rate of 11 percent to 14 percent. The aging population, new drug introductions and greater drug utilization are some of the important drivers supporting these growth projections.

To capitalize on these trends, we continue to aggressively support this business. After the first two months of fiscal 2003, we have purchased five pharmacy files for ShopKo, and have opened one pharmacy and purchased two pharmacy files for Pamida. Our 2003 Pamida expansion plan calls for 15 to 17 new pharmacies.

We look forward to exploring other opportunities to leverage the potential of this proven performer and to continuing our offerings of quality health services to our customers.



Corporate data

Shareholders' Information

ShopKo Stores, Inc. common shares are listed on the New York Stock Exchange under the symbol "SKO" and in newspapers as "ShopKo." As of April 4, 2003, ShopKo's common shares were held by 2,495 record shareholders.

Transfer Agent and Registrar

For help with questions regarding lost, stolen or destroyed stock certificates, consolidation of accounts, transferring of shares and name and address changes, call Wells Fargo Shareowner Services at 1.800.468.9716, or write them at:

Wells Fargo Shareowner Services
161 North Concord Exchange
South St. Paul, MN 55075-1139

Annual Meeting

The annual meeting of shareholders will be held May 28, 2003 at 10 a.m. at St. Norbert College, Bemis International Center, 100 Grant Street, De Pere, Wisconsin.

Investor Relations

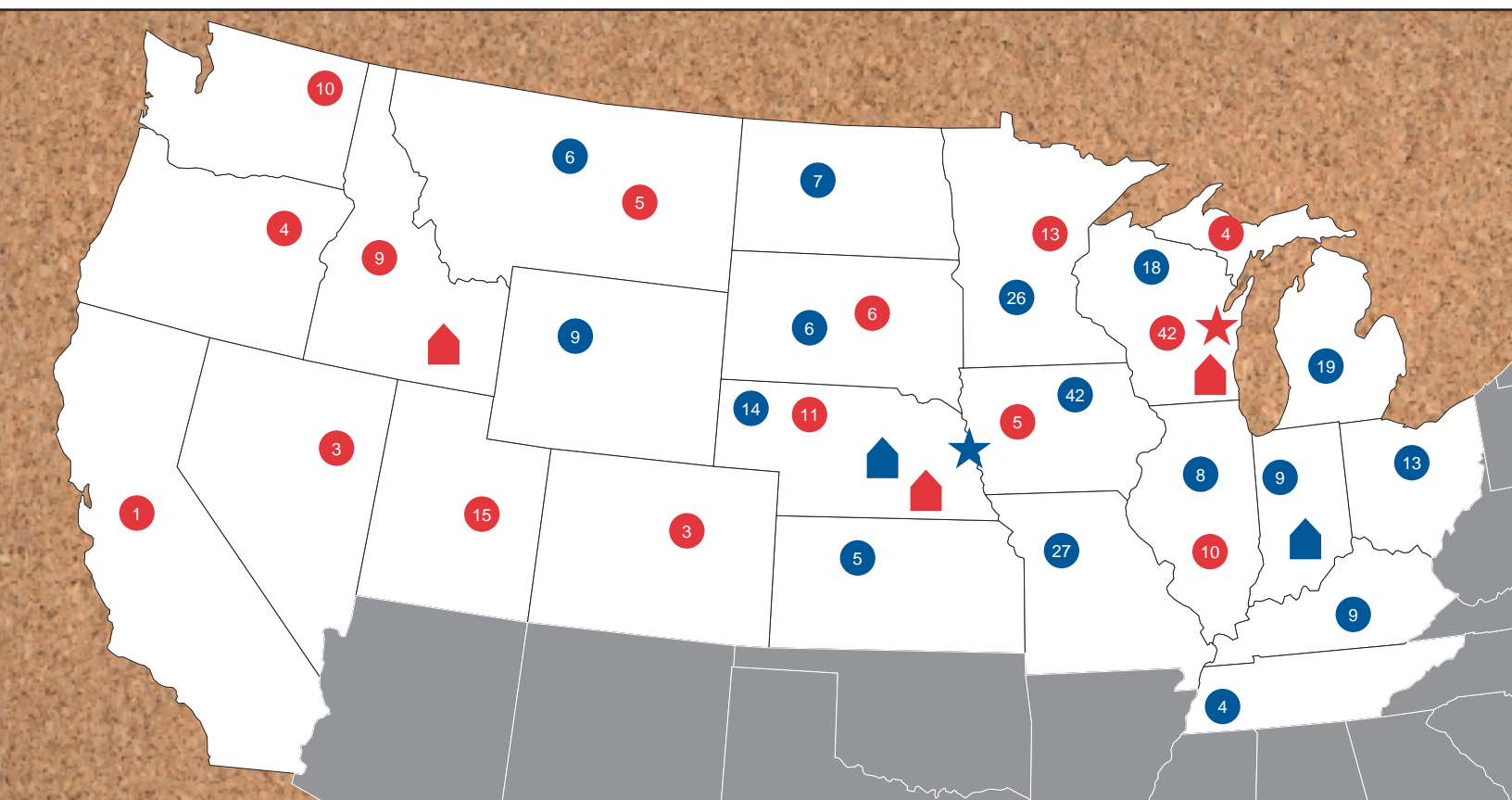
A copy of the Company's reports filed with the Securities and Exchange Commission will be furnished without charge to any shareholder upon written request. Written requests should be directed to:

Vicki Shamion
Director of Investor Relations
ShopKo Stores, Inc.
P.O. Box 19060
Green Bay, WI 54307-9060

You can reach ShopKo via the Internet at:

www.shopko.com

Our website provides a host of information about the company, including but not limited to recent quarterly webcasts, the Form 10-K, annual report, recent press releases and other pertinent information.



Board of Directors

Jack W. Eugster (2) (3)

Non-Executive Chairman of the Board,
Former Chief Executive Officer,
The Musicland Group

Jeffrey C. Girard

Vice Chairman, Finance and Administration,
ShopKo Stores, Inc.

Sam K. Duncan

President and Chief Executive Officer,
ShopKo Stores, Inc.

Dale P. Kramer

Former Chairman, President and CEO,
ShopKo Stores, Inc.

Martha A. McPhee (2)

Former Sr.Vice President and
Chief Operating Officer,
American Public Media Group

John G. Turner (1) (3)

Chairman, Hillcrest Capital Partners

Stephen E. Watson (2)

Former President and Chief Executive Officer,
Gander Mountain, L.L.C.

Gregory H. Wolf (1) (3)

President, CIGNA Group Insurance

Richard A. Zona (1)

Chief Executive Officer,
Zona Financial, L.L.C.

Member of:

- (1) Audit Committee
- (2) Compensation and Stock Option Committee
- (3) Nominating/Corporate Governance Committee

Executive Officers

Sam K. Duncan

President and Chief Executive Officer

Jeffrey C. Girard

Vice Chairman, Finance and Administration

Kevin J. Easton

Executive Vice President, Chief Merchandising Officer

Steven R. Andrews

Senior Vice President, General Counsel

Brian W. Bender

Senior Vice President, Chief Financial Officer

Michael J. Bettiga

Senior Vice President, Retail Health Operations

Dan J. Bolstad

Senior Vice President, Store Operations and Logistics

Paul A. Burrows

Senior Vice President, Chief Information Officer

Michael J. Hopkins

President, Pamida Division

Rodney D. Lawrence

Senior Vice President, Property Development

Douglas N. Wurl

Senior Vice President, General Merchandise Manager -
Hardlines and Home

