

FINANCIAL STATEMENT BULLETIN 2002

SALES GREW, EARNINGS IMPROVED MARKEDLY

The Stockmann Group's sales grew by 2.9% to EUR 1 582.3 million. Profit before extraordinary items grew by 34.0% 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%. 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.

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 Greater Helsinki 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 Mr 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.

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 2002 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 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 2 euros 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 102 768 122 euros. 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 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.

Helsinki, February 12, 2003

Stockmann plc
BOARD OF DIRECTORS

Net turnover

	1-12/02 EUR mill.	1-12/01 EUR mill.	Change %	Change EUR mill.
Department Store Division				
Operations in Finland	579.4	545.0	6	34.4
International operations	99.9	88.5	13	11.4
Department Store Division total	679.3	633.5	7	45.8
Vehicle Division	328.3	337.2	-3	-8.9
Hobby Hall Division	198.1	200.2	-1	-2.1
Seppälä Division	109.2	111.1	-2	-1.9
Real Estate + others	24.2	24.0	1	0.3
Eliminations	-23.7	-23.9		0.2
Group	1 315.3	1 281.9	3	33.4

Profit and loss account

	1-12/02 EUR mill.	1-12/01 EUR mill.
Net turnover	1 315.3	1 281.9
Other operating income	8.8	7.0
Raw materials and services	876.4	870.1
Staff expenses	184.9	179.0
Depreciation and reduction in value	28.9	28.5
Other operating expenses	172.0	165.0
Operating profit	61.9	46.3
Financial income and expenses	6.7	4.9
Profit before extraordinary items	68.6	51.2
Extraordinary items		
Profit before taxes	68.6	51.2
Income taxes, total	18.9	16.4
Minority interest	0.0	0.0
Profit for the financial year	49.7	34.8
Gross investments	25.8	31.1
Per cent of net turnover	2.0	2.4

Profit and loss account, Group quarterly, EUR mill.

	Q1/02	Q2/02	Q3/02	Q4/02
Net turnover	297.6	319.2	306.7	391.8
Other operating income	1.7	7.1	0.0	0.0
Raw materials and services	207.5	212.1	207.6	249.2
Staff expenses	43.7	45.4	40.7	55.1
Depreciation	7.2	7.3	7.1	7.3
Other operating expenses	41.6	41.3	41.5	47.6
Operating profit	-0.7	20.2	9.7	32.7
Financial income and expenses, total	2.0	1.0	1.5	2.2
Profit before extraordinary items	1.4	21.2	11.2	34.8

Extraordinary items	0.0	0.0	0.0	0.0
Profit before taxes	1.4	21.2	11.2	34.8
Direct taxes (corresponding to profit before taxes)	0.4	6.1	3.3	9.1
Minority interest	0.0	0.0	0.0	0.0
Profit for the period	1.0	15.0	7.9	25.7

Operating profit

	1-12/02 EUR mill.	1-12/01 EUR mill.	Change EUR mill.	ROCE % 2002	ROCE % 2001
Department Store Division	39.7	34.1	5.6	21.0	19.0
Vehicle Division	5.4	3.2	2.1	13.5	5.4
Hobby Hall Division	0.5	4.4	-3.9	0.5	4.7
Seppälä Division	10.4	1.7	8.6	52.4	7.5
Real-estate	16.4	16.2	0.2	11.2	10.7
Other operating income	8.8	7.0	1.8		
Eliminations + others	-19.3	-20.4	1.1		
Group	61.9	46.3	15.7	12.6	9.8

The operating profit figures of the commercial units are presented according to management accounting.

Security pledged, contingent liabilities and other commitments

	Group		Parent company	
	2002	2001	2002	2001
Security pledged				
Liabilities for which mortgages on real-estate have been lodged as security				
Pension loans 31.12	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 for loans of the company				
Mortgages given	1.7	1.7	1.7	
Securities 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	0.2	0.3
Payable at a later date	0.8	0.5	0.3	0.4
Total	1.4	1.0	0.6	0.7
Other own commitments				
Repurchase commitments for transferred leasing	63.5	59.7	63.5	59.7

and hire purchase agreements				
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	0.6
Other commitments	64.9	60.7	64.0	60.4
Total	68.4	64.7	69.0	63.3

Derivative instruments of the Group

	31.12.2002	31.12.2001
	Me	Me
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

Average number of employees, converted to full-time staff

	1-12/02	1-12/01	Change
Department Store Division	4 459	4 263	196
Vehicle Division	741	790	-49
Hobby Hall Division	755	688	67
Seppälä Division	705	749	-44
Management and administration	92	91	1
Group	6 752	6 581	171

BALANCE SHEET

ASSETS	Dec.31,2002	Dec.31,2001
	EUR mill.	EUR mill.

NON-CURRENT ASSETS

Intangible assets		
Intangible rights	9.8	10.9
Goodwill arising on consolidation	0.0	0.2
Goodwill	0.1	0.1
Other capitalized long-term expenses	24.8	22.9
Advance payments and projects in progress	1.6	1.8
Intangible assets, total	36.3	35.9
Tangible assets		
Land and water	20.2	24.9
Buildings and constructions	146.9	169.6
Machinery and equipment	63.1	72.5
Other tangible assets	0.1	0.1
Advance payments and construction in progress	6.1	0.7
Tangible assets, total	236.4	267.8
Investments		
Own shares	6.2	6.2
Other shares and participations	22.5	35.6
Investments, total	28.7	41.8
NON-CURRENT ASSETS, TOTAL	301.4	345.5

CURRENT ASSETS

Stocks		
Raw materials and consumables	188.9	165.6
Stocks, total	188.9	165.6
Non-current debtors		

Trade debtors	0.5	0.4
Loan receivables	0.2	0.9
Other debtors		0.5
Non-current debtors, total	0.7	1.9
Current debtors		
Trade debtors	169.1	169.0
Loan receivables		
Other debtors	11.7	13.2
Prepayments and accrued income	10.3	7.4
Current debtors, total	191.2	189.6
Debtors, total	191.8	191.5
Securities held in current assets	56.6	6.2
Cash in hand and at banks	13.9	19.5
CURRENT ASSETS, TOTAL	451.2	382.7
TOTAL	752.7	728.2

BALANCE SHEET	Dec.31,2002	Dec.31,2001
LIABILITIES	EUR mill.	EUR mill.
CAPITAL AND RESERVES		
Share capital	102.8	102.8
Premium fund	133.1	133.1
Fund for own shares	6.2	6.2
Reserve fund	0.1	0.1
Other funds	43.7	43.7
Retained earnings	189.2	185.2
Net profit for the financial year	49.7	34.8
CAPITAL AND RESERVES, TOTAL	524.8	505.9
Minority interest	0.0	0.2
PROVISIONS		1.8
CREDITORS		
Deferred tax liability	23.3	25.9
Non-current creditors		
Loans from credit institutions	35.0	42.7
Pension loans	0.8	1.0
Non-current creditors, total	35.8	43.7
Current creditors		
Pension loans	0.3	0.2
Trade creditors	81.7	62.8
Other creditors	41.3	53.1
Accruals and prepaid income	45.5	34.6
Current creditors, total	168.7	150.7
CREDITORS, TOTAL	227.8	220.3
TOTAL	752.7	728.2

Helsinki, February 12, 2003

Stockmann plc

Hannu Penttilä
Managing Director

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A press and analysts conference will be held today, February 12, 2003, at 2.30 p.m. at the World Trade Center, Aleksanterinkatu 17, Helsinki.