

INTERIM REPORT JANUARY 1 - JUNE 30, 2002

The Stockmann Group's profit before extraordinary items improved substantially and was EUR 22.5 million (EUR 12.2 million in 2001), though sales diminished by 0.7 per cent and were EUR 740.3 million (EUR 745.5 million). Full-year sales are estimated to be about EUR 1.6 billion and profit before extraordinary items is set to improve markedly on 2001.

Sales and result

The Stockmann Group's sales in the first half of 2002 were EUR 740.3 million, down EUR 5.2 million and 0.7 per cent on the sales figure in the comparison period. Net turnover was EUR 616.8 million, a decrease of 0.5 per cent on net turnover in the comparison period.

The relative gross margin on operations improved in all the divisions and was 32.0 per cent (29.6 per cent). The Group's gross margin grew by EUR 14.0 million to EUR 197.2 million. Fixed costs increased by EUR 6.2 million and depreciation by EUR 0.6 million. The operating profit from mainline operations was EUR 10.7 million, representing an improvement of EUR 7.1 million on the comparison period. Other operating income generated by capital gains on the sale of shares and properties grew by EUR 2.5 million from the comparison period and amounted to EUR 8.8 million. The Group's operating profit grew by EUR 9.6 million to EUR 19.5 million.

Net financial income increased by EUR 0.7 million from the same period a year earlier and totalled EUR 3.0 million.

Profit before extraordinary items was EUR 22.5 million, up EUR 10.4 million on the result a year earlier. Second-quarter profit before extraordinary items was up EUR 10.0 million on the same quarter a year earlier and was EUR 21.2 million. Direct taxes were EUR 6.5 million, increasing by EUR 3.0 million on the previous year. Net profit for the report period was EUR 16.0 million, compared with EUR 8.7 million a year earlier.

Earnings per share were EUR 0.31 (EUR 0.17). Equity per share was EUR 9.56 (EUR 9.34).

Sales and earnings trend by division

The Department Store Division's sales grew by 8 per cent to EUR 369.8 million. Factors contributing to the increase in sales were the Oulu department store that was opened in September 2001 and the Zara store that was opened in Helsinki in April 2002. On the other hand, nearby street construction works hampered the sales of the Helsinki, Tapiola and Turku department stores, especially in June. Sales in Russia and Estonia again grew strongly, and the share of International Operations within the Group's sales increased from 14.1 per cent to 15.0 per cent. The Oulu department store and Zara operated at a loss, as anticipated in Stockmann's plans, and this weakened the result of the Department Store

Division in Finland. Operating profit reported by International Operations, however, improved on the comparison period. The division's operating profit diminished in the report period by a total of EUR 1.5 million on the comparison period and was EUR 6.1 million (EUR 7.6 million). Second-quarter operating profit was EUR 7.2 million, down EUR 0.9 million on the same period a year ago.

The Vehicle Division's sales were down 12 per cent to EUR 197.0 million. The decrease in sales was due largely to the divestment of three Mitsubishi-Skoda units in 2001. Despite the decrease in sales, the division's operating profit grew during the report period by EUR 0.7 million compared with the same period a year ago and was EUR 2.5 million (EUR 1.8 million). Second-quarter operating profit was EUR 1.4 million, an increase of EUR 0.5 million on the figure a year earlier. The Mitsubishi-Skoda dealership at the outlet in the Lauttasaari district of Helsinki came to an end on June 30, 2002.

Within distance retailing, in January-June unit deliveries for the total market in Finland declined by 10 per cent. Sales by the Hobby Hall Division diminished by 6 per cent, or EUR 6.9 million on the same period a year earlier, and totalled EUR 113.3 million. Thanks to the change in the composition of sales, the relative gross margin improved. Credit losses increased, but the total amount of fixed costs was smaller than in the comparison period. The division's operating profit improved in the report period by EUR 2.7 million and was EUR 0.1 million (a loss of EUR 2.6 million in Jan.-June 2001). Second-quarter operating profit was EUR 0.9 million, increasing by EUR 2.3 million on the previous year.

The Seppälä Division's sales grew in Finland and Estonia. As a consequence of winding up operations in Sweden, aggregate sales nevertheless diminished by 2 per cent on the same period a year ago and were EUR 59.5 million. The relative gross margin improved significantly during the report period. Winding up the loss-making operations in Sweden also improved earnings. The operating result improved by EUR 5.2 million in the report period and was EUR 2.3 million (a loss of 2.9 million in Jan.-June 2001). Second-quarter operating profit was EUR 4.4 million, an increase of EUR 2.3 million on the figure a year earlier.

Financing and invested capital

Liquidity was good. Liquid assets totalled EUR 29.7 million, compared with EUR 25.6 million at the end of 2001.

Repayments of long-term loans in the first half of the year amounted to EUR 0.1 million. No new long-term loans were drawn down. The amount of long-term loans at the end of June was EUR 43.6 million.

Stockmann released tied-up capital in line with its strategy by selling two properties that were occupied by Hobby Hall to Nordea Life Assurance Finland Ltd for EUR 32.2 million. Hobby Hall will continue operating in the divested premises as a tenant. The capital that was freed up by selling the properties was used to pay down short-term liabilities.

The equity ratio grew from 67.4 per cent in the comparison period to 70.7 per cent. The equity ratio at the end of 2001 was 69.5 per cent.

The Group's invested capital at June 30, 2002, was EUR 560.1 million (EUR 575.9 million). The return on investment over the past 12 months increased and was 11.7 per cent (9.0 per cent). The amount of capital invested in the Vehicle Division and Seppälä Division diminished compared with the comparison period. The Department Store Division's invested capital was increased by the Oulu department store that was opened in September 2001. Capital tied in the Hobby Hall Division also increased somewhat.

Total contingent liabilities grew by EUR 4.7 million from the end of 2001 and were EUR 69.4 million. Stockmann has no associated companies whose contingent liabilities must be disclosed.

Capital expenditures and current projects

Capital expenditures during the report period totalled EUR 19.6 million (EUR 14.3 million).

The Department Store Division's capital expenditures in the report period came to EUR 7.1 million. The division's most important capital expenditure item in 2002 is the Riga department store, for which construction works got under way in the spring. The cornerstone of the department store was laid on June 19, 2002. Stockmann's total capital expenditure for the site will come to about EUR 24.0 million. According to plans, the building will be completed in autumn 2003.

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 has a total of 6,500 square metres of retail space. Stockmann's investment costs were limited to the finishing and interior decoration works on the premises.

A Zara franchise store was opened in leased premises in Helsinki at the beginning of April. Zara's sales have got off to a very good start.

July saw the completion of an enlargement of the Academic Bookstore in the centre of Helsinki, bringing one additional floor, or about 500 square metres, of new retail space.

The Hobby Hall Division's capital expenditures in the report period totalled EUR 2.0 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.

Stockmann has 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. The department store is scheduled for completion in 2005.

Stockmann has also signed a preliminary agreement on opening a full-size department store with 6,500 square metres of retail space in rented premises in the centre of St Petersburg in 2005.

The first stores of the Stockmann Beauty cosmetics chain will be opened in November 2002 in the Jumbo shopping centre in Vantaa and in the Trio shopping centre in Lahti.

Shares and shareholders

The company's market capitalization at the end of June was EUR 660.0 million. At the end of 2001 the market capitalization was EUR 696.0 million.

Stockmann's shares outperformed both the HEX General Index and the HEX Portfolio Index during the report period. At the end of June the stock exchange price of the Series A share was EUR 13.00, compared with EUR 13.70 at the end of 2001, and the Series B share was selling at EUR 12.70, as against EUR 13.40 at the end of 2001.

At the end of June 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 bought back at a total price of EUR 6.2 million.

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 and the total number of Series B shares is 26,515,168. The shares were entered in the Trade Register on June 18, 2002 and they became available for public trading on Helsinki Exchanges on June 19, 2002.

In spring 2000, 1,382,524 Stockmann plc Loyal Customer share options were subscribed for. On the basis of the unexercised Loyal Customer share options, a further total of 1,381,440 new Series B shares with a nominal value of EUR 2 can be subscribed for in disapplication of shareholders' pre-emptive right to subscribe for shares. On the basis of the subscriptions the company's share capital can rise by a further maximum of EUR 2,762,880 to a maximum of EUR 105,531,002. The subscription price is EUR 15.70 less the amount of the per-share dividend distributed after April 1, 1999. This year the subscription price was EUR 13.06 per share. The remaining subscription periods for exercising the Loyal Customer share options are May 2, 2003 – May 31, 2003; May 2, 2004 – May 31, 2004 and May 2, 2005 – May 31, 2005.

The C warrants for the 1997 bond issue, 180,000 warrants, were placed on the Main List of Helsinki Exchanges for public trading on April 11, 2002.

The company's 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.

Personnel strength

During the report period the Stockmann Group had an average payroll of 8,162 employees, or 324 more than in the comparison period. Converted to full-time staff, the average number of employees increased by 216 on the comparison period and was 6,589. The increase in staff was due for the most part to the opening of the Oulu department store in September 2001.

At the end of June 2002 the number of staff working abroad was 1,234 people. At the end of June of last year Stockmann had 1,244 people working abroad.

Full-year outlook

Retail sales, excluding the motor trade, are estimated to increase by about 3.5 - 4.0 per cent in Finland in 2002. Automotive sales are also expected to increase slightly.

Stockmann's consolidated sales are estimated to grow somewhat faster than the market average. Sales in 2002 are expected to come in at about EUR 1.6 billion.

The Group's third-quarter earnings are expected to improve on the previous year's figure. The Department Store Division's operating profit in the third quarter is expected to be on a par with the previous year. The third-quarter operating profit of the Vehicle Division, Hobby Hall Division and Seppälä Division is estimated to improve on the results reported a year earlier.

A substantial portion of the Group's full-year profits is generated during the last quarter. The forecast growth in the international economy and in Finland has got off to a slower start than was expected. In addition, the start-up of construction works on the Kamppi site will bring changes in the operating environment of the Helsinki department store - which has a substantial impact on the Group's earnings - and it is still difficult to assess the effect which these changes will have on customer traffic and logistics in the centre of Helsinki. Notwithstanding these factors, it is estimated that profit before extraordinary items in 2002 will be markedly higher than the figure reported for 2001.

Helsinki, August 20, 2002

STOCKMANN plc

Profit and loss account, Group EUR millions

	1-6/02	1-6/01	Change %	1-12/01
Net turnover	616.8	619.7	0	1 281.9
Other operating income	8.8	6.3	39	7.0
Raw materials and services	419.6	436.5	-4	870.1
Staff expenses	89.1	85.9	4	179.0

Depreciation	14.5	13.9	4	28.5
Other operating expenses	82.9	79.9	4	165.0
Operating profit	19.5	9.9	97	46.3
Financial income and expenses, total	3.0	2.3	32	4.9
Profit before extraordinary items	22.5	12.2	85	51.2
Extraordinary items	0.0	0.0		0.0
Profit before taxes	22.5	12.2	85	51.2
Direct taxes (corresponding to profit before taxes)	6.5	3.5	85	16.4
Minority interest	0.0	0.0		0.0
Profit for the period	16.0	8.7	85	34.8
Earnings per share, EUR	0.31	0.17	85	0.68
Earnings per share, diluted, EUR	0.31	0.17	85	0.68
Equity per share, EUR	9.56	9.34	2	9.85
Return on equity, %, moving 12 months	8.7	6.0		6.9
Return on investment, %, moving 12 months	11.7	9.0		9.8
Average number of employees, converted to full-time staff	6 589	6 373		6 581

Sales by division, EUR millions

	1-6/02	1-6/01	Change %	1-12/01
Department Store Division	369.8	341.2	8	755.4
Vehicle Division	197.0	223.4	-12	409.4
Hobby Hall	113.3	120.2	-6	237.4
Seppälä	59.5	60.8	-2	135.2
Real Estate	13.2	12.5	6	24.0
Eliminations	-12.5	-12.5		-23.8
Total	740.3	745.5	-1	1 537.6

Net turnover by division, EUR millions

	1-6/02	1-6/01	Change %	1-12/01
Department Store Division	310.8	286.8	8	633.5
Vehicle Division	162.0	184.1	-12	337.2
Hobby Hall	94.7	99.3	-5	200.2
Seppälä	49.0	49.9	-2	111.1
Real Estate	12.8	12.1	6	24.0
Eliminations	-12.4	-12.5		-23.9
Total	616.8	619.7	0	1 281.9

Operating profit by division, EUR millions

	1-6/02	1-6/01	Change %	1-12/01
Department Store Division	6.1	7.6	-20	34.1
Vehicle Division	2.5	1.8	40	3.2
Hobby Hall	0.1	-2.6		4.4

Seppälä	2.3	-2.9		1.7
Real Estate	8.9	8.7	2	16.2
Other operating income	8.8	6.3	39	7.0
Eliminations	-9.2	-9.0		-20.4
Total	19.5	9.9	97	46.3

Capital expenditures, gross, by division, EUR millions

	1-6/02	1-6/01	Change %	1-12/01
Department Store Division	7.1	6.7	6	19.0
Vehicle Division	0.1	0.4	-83	1.1
Vehicle Division's leasing assets	3.0	1.6	91	0.0
Hobby Hall	2.0	2.2	-11	4.0
Seppälä	0.2	1.7	-90	3.1
Real Estate	6.9	1.3	426	3.2
Others	0.5	0.5	1	0.9
Total	19.6	14.3	37	31.1

Funds statement, Group EUR millions

	1-6/02	1-6/01	1-12/01
Cash flow from operations	22.4	5.3	51.1
Cash flow into and from investments	15.2	-5.4	-20.6
Financial cash flow			
Dividend paid	-30.6	-30.6	-30.6
Change in long-term loans	-0.1	-9.1	-9.2
Change in short-term loans	-2.7	17.4	-6.7
Financial cash flow, total	-33.5	-22.3	-46.6
Change in cash funds	4.1	-22.5	-16.0
Cash funds at start of the period	25.6	41.7	41.7
Cash funds at end of the period	29.7	19.2	25.6

Balance sheet, Group EUR millions

	30.6.02	30.6.01	31.12.01
Non-current assets	321.7	345.2	345.5
Current assets			
Stocks	175.0	178.4	165.6
Debtors	168.1	169.0	191.5
Liquid funds	29.7	19.2	25.6
Assets	694.5	711.8	728.2
Capital and reserves	491.1	479.8	505.9
Minority interest	0.1	0.2	0.2
Provisions	0.2		1.8
Deferred tax liability	25.9	25.8	25.9
Non-current creditors	43.6	43.8	43.7
Current creditors			
Interest-bearing	25.1	52.1	28.4
Non-interest bearing	108.5	110.1	122.3
Liabilities	694.5	711.8	728.2
Equity ratio, %	70.7	67.4	69.5
Gearing, %	7.9	16.0	9.1
Cash flow from operations per share,	0.44	0.10	1.00

EUR			
Interest-bearing net debt, EUR mill.	-63.6	-32.7	-63.4
Number of shares at June 30, 2002, thousands	51 384	51 383	51 383
Weighted average number of shares, thousands	50 970	50 970	50 970

Contingent liabilities, Group EUR millions

	30.6.02	30.6.01	31.12.01
Mortgages on land and buildings	3.4	3.5	3.4
Pledges	0.1	0.1	0.1
Guarantees	0.5	0.5	0.5
Other commitments	65.4	59.2	60.7
Total	69.4	63.2	64.7

Derivative instruments

	30.6.02	30.6.01	31.12.01
Nominal value			
Foreign exchange derivatives	38.3	29.7	30.3
Interest rate derivatives	77.0	42.0	70.0
Fair value			
Foreign exchange derivatives	0.8	-1.4	-0.3
Interest rate derivatives	0.4	0.0	0.3

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

Profit and loss account, Group quarterly, EUR millions

	Q2/02	Q1/02	Q4/01	Q3/01
Net turnover	319.2	297.6	371.6	290.6
Other operating income	7.1	1.7	0.4	0.2
Raw materials and services	212.1	207.5	235.1	198.5
Staff expenses	45.4	43.7	53.0	40.1
Depreciation	7.3	7.2	7.6	7.0
Other operating expenses	41.3	41.6	47.9	37.3
Operating profit	20.2	-0.7	28.4	8.0
Financial income and expenses, total	1.0	2.0	2.2	0.4
Profit before extraordinary items	21.2	1.4	30.6	8.4
Extraordinary items	0.0	0.0	0.0	0.0
Profit before taxes	21.2	1.4	30.6	8.4
Direct taxes (corresponding to profit before taxes)	6.1	0.4	10.4	2.4
Minority interest	0.0	0.0	0.0	0.0
Profit for the period	15.0	1.0	20.2	6.0

Profit and loss account, Group quarterly, EUR millions

Q2/01	Q1/01	Q4/00	Q3/00
-------	-------	-------	-------

Net turnover	319.1	300.6	350.7	284.5
Other operating income	0.0	6.3	1.4	0.5
Raw materials and services	219.0	217.5	233.3	198.8
Staff expenses	43.7	42.3	48.7	37.4
Depreciation	7.1	6.8	5.1	7.1
Other operating expenses	39.7	40.1	43.1	34.9
Operating profit	9.7	0.2	21.9	6.8
Financial income and expenses, total	1.5	0.8	0.2	1.2
Profit before extraordinary items	11.2	1.0	22.0	8.1
Extraordinary items	0.0	0.0	-0.6	0.0
Profit before taxes	11.2	1.0	21.4	8.1
Direct taxes (corresponding to profit before taxes)	3.2	0.3	7.3	2.3
Minority interest	0.0	0.0	0.0	0.0
Profit for the period	7.9	0.7	14.3	5.7

Sales by division, EUR millions

	Q2/02	Q1/02	Q4/01	Q3/01
Department Store Division	188.1	181.7	241.2	173.0
Vehicle Division	106.4	90.5	92.8	93.2
Hobby Hall	56.2	57.1	66.9	50.2
Seppälä	33.8	25.7	40.8	33.6
Real Estate	6.8	6.4	5.9	6.0
Eliminations	-6.2	-6.3	-5.8	-5.8
Total	385.2	355.1	441.9	350.2

Sales by division, EUR millions

	Q2/01	Q1/01	Q4/00	Q3/00
Department Store Division	174.5	166.6	222.7	163.2
Vehicle Division	119.6	103.8	91.1	96.6
Hobby Hall	56.7	63.5	64.7	47.4
Seppälä	34.0	26.7	41.2	35.2
Real Estate	6.0	6.1	5.9	5.9
Eliminations	-6.3	-5.9	-5.8	-5.8
Total	384.6	360.7	419.9	342.5

Net turnover by division, EUR millions

	Q2/02	Q1/02	Q4/01	Q3/01
Department Store Division	157.1	153.8	201.7	144.9
Vehicle Division	87.4	74.6	76.3	76.8
Hobby Hall	46.9	47.8	59.2	41.6
Seppälä	27.8	21.1	33.5	27.6
Real Estate	6.6	6.3	6.1	5.9
Eliminations	-6.4	-6.0	-5.1	-6.2
Total	319.3	297.6	371.6	290.6

Net turnover by division, EUR millions

	Q2/01	Q1/01	Q4/00	Q3/00
--	-------	-------	-------	-------

Department Store Division	145.3	141.5	187.8	136.8
Vehicle Division	98.8	85.3	75.3	79.4
Hobby Hall	47.1	52.2	53.2	39.0
Seppälä	27.9	22.0	33.9	29.0
Real Estate	6.1	6.0	6.0	5.6
Eliminations	-6.2	-6.4	-5.5	-5.3
Total	319.1	300.6	350.7	284.5

Operating profit by division, EUR millions

	Q2/02	Q1/02	Q4/01	Q3/01
Department Store Division	7.2	-1.1	21.8	4.7
Vehicle Division	1.4	1.0	0.1	1.3
Hobby Hall	0.9	-0.7	6.7	0.3
Seppälä	4.4	-2.0	3.6	1.0
Real Estate	4.4	4.5	3.8	3.7
Other operating income	7.1	1.7	0.4	0.2
Eliminations	-5.2	-4.0	-8.0	-3.4
Total	20.2	-0.7	28.4	8.0

Operating profit by division, EUR millions

	Q2/01	Q1/01	Q4/00	Q3/00
Department Store Division	8.1	-0.5	19.1	5.9
Vehicle Division	0.9	0.9	0.2	1.4
Hobby Hall	-1.4	-1.2	1.0	-1.2
Seppälä	2.1	-5.0	2.2	0.1
Real Estate	4.4	4.3	4.2	3.6
Other operating income	0.0	6.3	1.4	0.5
Eliminations	-4.4	-4.6	-6.2	-3.5
Total	9.7	0.2	21.9	6.8

This Interim Report is unaudited.

Helsinki, August 20, 2002

STOCKMANN plc

Hannu Penttilä
Managing Director

DISTRIBUTION
Helsinki Exchanges
Principal media

A press and analyst conference will be held today, August 20, 2002, at 14.15 p.m. at the World Trade Center, Aleksanterinkatu 17, Helsinki.