Fashion and Quality.

Always at discount prices.

Stein Mart®

Annual Report 2001

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Stein Mart Corporate Profile

Stein Mart's 253 stores offer the merchandise, service and presentation of a traditional, better department/specialty store, at prices competitive with off-price retail chains.

Located in 29 states from California to Florida to New York, Stein Mart stores feature fashion merchandise including moderate to designer brand-name apparel for women, men and children, as well as accessories, gifts, linens and shoes.

For a complete list of Stein Mart store locations, please visit www.steinmart.com

Financial Highlights (Dollars in Thousands Except Per Share Amounts)

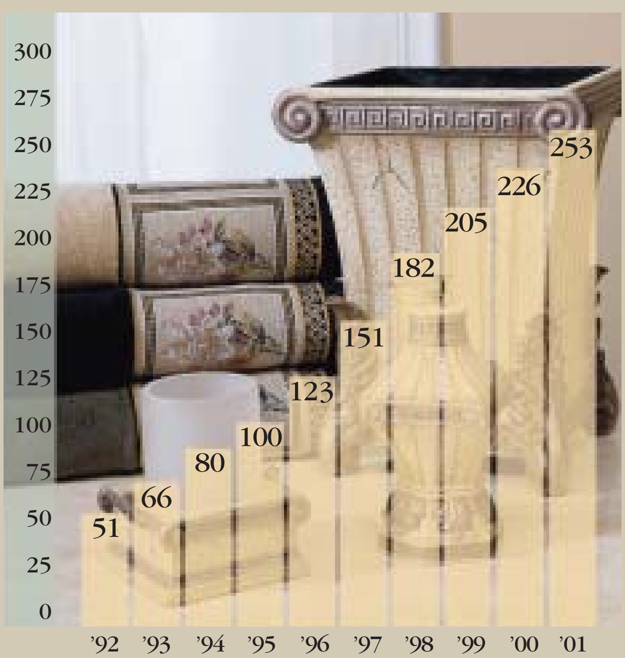
	for the years ended February 2, 2002[1][3]	December 30, 2000[2]	% change
Net Sales	$1,320,190	$1,206,624	9.4
Gross Profit	$316,623	$310,064	2.1
Income Before Income Taxes	$24,764	$63,479	NM
Diluted Earnings Per Share	$0.37	$0.91	NM
Stores Open at End of Year	253	226	11.9
Comparable Store Net Sales Increase (Decrease)	(0.7)%	9.7%	

[1] Beginning with fiscal year 2001, the Company changed to a 52-53 week year ending the Saturday closest to January 31; previously, the Company's fiscal year ended on the Saturday closest to December 31.

[2] Includes a $3.4 million pre-tax credit related to store closing reserves, primarily reflecting favorable lease settlements.

[3] Includes a $2.9 million charge for the planned closing of four stores during 2002.

Stores Open at End of the Year



Net Sales (dollars in millions)

Letter to our Shareholders

Dear Valued Shareholder:

Stein Mart's long-term success depends on skillfully operating the business through both good times and bad. The year 2001 provided a litmus test for bad times in retailing, and while our results fell below our goals, we are proud of the many associates, customers and vendors who came together and produced a profitable year for you, our shareholders.

Looking back

Across the country and certainly in our stores as well, 2001 was characterized by a marked reduction in the number of people shopping. Despite what we believed to be a strong merchandise assortment, comparable stores sales began to decline early in 2001, reversing strong, double digit increases from 2000. (Late last fall, the pundits belatedly declared an economic downturn had actually begun in March 2001.) This downward trend was well underway when terrorists struck on September 11 and nearly everyone focused more on the events of the world than on shopping.

In the weeks following September 11, our primary focus was to reduce in-store inventory through promotion and mark-downs, while decreasing the amount of incoming merchandise to much more modest levels. Our merchants worked closely with nearly all of our vendor partners, asking them to make unprecedented revisions in orders and deliveries. We owe a debt of gratitude to the manufacturers who worked with us in this effort, which resulted in a six percent decrease in average store inventory levels at year-end.

At the same time, store managers moved quickly to control payroll and supply expenses in response to slower traffic and reduced sales. A hiring freeze and more stringent expense controls were instituted at the corporate office. All in all, every one of our nearly 14,000 employees helped maintain our business in this very difficult year.

These actions produced results that, though less than desirable, were understandable in light of the unprecedented challenges faced. More importantly, these actions allowed us to begin the new year with the flexibility to manage our business in a continuing dynamic retail environment.

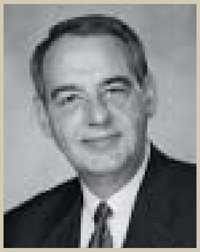
Important Developments

In August of 2001, two executive appointments were announced. While Jay Stein remains chairman of the board of directors, John H. "Jack" Williams, Jr. was named vice chairman and chief executive officer of Stein Mart. Michael D. Fisher, the Company's executive vice president of stores, was promoted to president and chief operating officer.

As we approached our tenth year as a public Company, we felt shareholders would be better served if we changed our fiscal calendar to correspond with most of the retail industry. Beginning with fiscal 2002, Stein Mart will operate on a 52-53 week year ending the Saturday closest to January 31; previously, the Company's fiscal year ended on the Saturday closest to December 31. This change in our fiscal year more naturally follows the seasonal flow of business, allowing for the disposition of seasonal merchandise within the reporting quarter. The revision in our fiscal calendar also allows us to begin reporting monthly comparable store sales results at the same time our peers do, giving you more consistent, timely information about our progress.

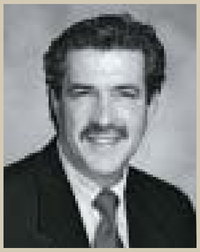
Michael D. Fisher
President,
Chief Operating Officer

Gwen K. Manto
Executive Vice President,
Chief Merchandising Officer



James G. Delfs
Senior Vice President,
Chief Financial Officer

D. Hunt Hawkins
Senior Vice President,
Human Resources



Michael D. Ray
Senior Vice President,
Director of Stores

Stein Mart, Inc.

Looking Ahead

In 2002, we will open 15-18 new stores and close four stores that are not performing to expectations. Improved sales productivity and margin enhancement remain our key objectives, and we will introduce several strategic initiatives with the potential to enhance our bottom line.

Floor space in all of our stores is being reallocated to give more square footage to merchandising categories that offer immediate growth opportunities. We are expanding the floor space in *Boutique,* accessories and gifts and reducing the floor space in men's and kids. These changes have significant dollar volume opportunities, and should also improve inventory turnover and sales per square foot productivity in the process.

Enhancing Shareholder Value

The year 2001 tested our Company at every level. While we did not duplicate the excellent financial results realized in 2000, we believe we led the Company properly and with an eye to the future in the face of extraordinary circumstances. Despite an unprecedented national disaster in the all-important fall selling season, we ended the year with comparable store sales volume close to the level enjoyed in 2000. We opened thirty new stores and closed three locations. An increased three-year revolving credit facility was arranged with a syndicated group of banks and we repurchased 658,000 shares of stock over the course of the year. But we could not have persisted in such a challenging year without the strong commitment and faith in our Company by our associates, our customers and you, our shareholders. Thank you for your continued interest in our Company.

Jay Stein
Chairman of the Board

John H. Williams, Jr.
Vice Chairman of the Board,
Chief Executive Officer

2001: The Year in Review

The Stein Mart shopping experience

Stein Mart continued to offer customers fashion-right merchandise for their wardrobes and their homes during 2001. Building on the Company's successful key item strategy from 2000, merchants sought out and acquired fresh apparel styles and gift items, and offered them at smart values.

More direct emphasis was placed on editing the assortment for our core customer. We are allocating greater space and more inventory dollars to the areas where our core customer shops most intensely, e.g. ladies apparel and *Boutique,* accessories, and gifts. These businesses provided the most opportunity, even with the diminished store traffic experienced in 2001. As is their tradition, our customers responded favorably to a strong infusion of color, as well as the representation of dominant fashion themes such as British West Indies, patriotic graphics and conversational prints such as toile, in both fashion apparel and home goods.

We also continued to track our core customers' preferences regarding apparel sizes and fabrication. In many apparel items, the standard size ranges have been extended beyond the traditional spectrum to provide a broader range of fit options, including smaller and larger sizes. Following the successful introduction of the *Boutique Petite* area last year, plans are underway to launch a *Boutique Women* area as well. This fine-tuning of our floor space to better reflect customer preferences provides greater opportunity for trading up, more rapid inventory turnover and improved productivity.

Corresponding to a national pattern, Stein Mart's men's business struggled somewhat during the year. To counteract that trend, merchants concentrated on putting sharper, more focused fashion in this area, highlighted by the Alan Flusser line of better menswear which debuted in the fall.

Both gifts and linens continued to perform well in 2001, particularly with the well-documented cocooning trend that kept people inside their homes. Luxury linens and decorative gifts were the leaders in this area.

The correct distribution of merchandise goes hand in and hand with choosing the right items. Our newly installed planning organization has greatly improved the selectivity of merchandise by store, allowing for more targeted seasonal, lifestyle and volume characteristics in each location. This capability was put to the test as we dramatically reduced our planned inventory following the September 11 terrorist attacks, and planners led the effort to reallocate and distribute the reduced level of merchandise to appropriate stores. As a result, this year's inventory is somewhat leaner and more current and new standards are in place to make our inventory work harder for us.

Stein Mart, Inc.

As we continue to analyze sales, profitability and marketing information, the planners will further refine our assortments. They will be aided by a more sophisticated basic stock replenishment program that will improve our ability to be in-stock every day in every store, at a level that maximizes our inventory investment.

Store Network & Operations

Within the store network, the reduced customer traffic during 2001 created a need for flexible execution of our operating plan. We reduced payroll to reflect the slowdown in business and eliminated discretionary spending. A hiring freeze in the corporate office created challenges within the stores. Even so, the stores were able to produce sales ahead of our revised plan, and our mystery shopper program shows that they were able to do so without reducing customer service levels. Stein Mart even posted a modest improvement in inventory shrinkage for the year.

Thirty new Stein Mart stores opened in 2001 and three closed. Southern California continued to be an expansion emphasis with four new stores opened in this dynamic area. We opened several significant new markets, with a store in St. Louis, one in Leesburg, Va., just outside Washington, D.C., and one in Portage, Michigan outside Kalamazoo. In Stein Mart's heartland, there was significant expansion with five new stores in Alabama, three in Florida, and two each in Tennessee, South Carolina and Virginia. There were also single stores opened in Nevada, North Carolina, Louisiana and Colorado.

For 2002, we will open 15-18 new stores in a mix of new and existing markets, including more locations in Southern California, Florida, Texas, Ohio and Indiana, among others. Four stores will be closed because they have not performed to expectations. While the Company's bias continues to be toward a strong growth program, management has taken a more cautious stance for new store rollout pending a clearer picture of general economic conditions and specific real estate opportunities in the second half of 2002.

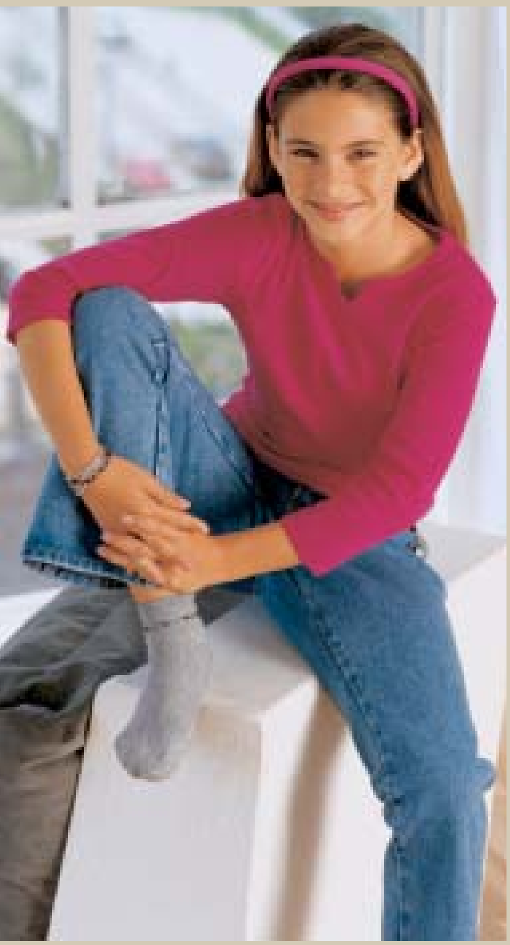
2001: The Year in Review

Marketing

In May, 2001, Stein Mart launched its Preferred Customer program to its most devoted shoppers. Approximately 700,000 participants have enrolled in the past year, and are now receiving mailings at least once a month. These mailings are filled with enticements to visit the store for special discounts, members-only shopping opportunities or an early peek at new merchandise and upcoming fashion events. Stein Mart will examine the information gleaned from these customers to further refine its merchandising and marketing efforts.

Progress Planned for 2002

The goal of Stein Mart for 2002 is to improve store productivity. By increasing the dollars generated in each square foot of the stores, we can leverage our expenses more efficiently and move more profit dollars to the bottom line. Actions that will push this objective forward include:



- Reformatting floor layouts in every store to magnify strongest sales opportunities: *Boutique,* Ladies apparel, Ladies Accessories and Home. This should maximize sell through and improve inventory turn.
- Introduction of Power Pricing, a series of highlighted items within the store which represent extraordinary values (at least 50% savings) on desirable merchandise; this concept was successfully tested during the holiday shopping season.
- Additional support to stores in the top ten and bottom ten percent of sales volume. These stores will receive additional resources as needed to maximize performance.

We will continue to examine all elements of the profitability equation–merchandise, real estate and SG&A (selling, general & administrative expenses) to see where we can maximize our opportunities without negatively affecting our core mission: to provide customers with distinctive merchandise at compelling prices in an enjoyable, convenient shopping environment.

2001 Merchandise Mix

Stein Mart, Inc.
Selected Financial Data

(Dollars In Thousands Except Per Share Amounts and Operating Data)

	For the Fiscal Year Ended				
Statement of Income Data:	*Feb. 2, 2002* [1]	*Dec. 30, 2000*	*Jan. 1, 2000*	*Jan. 2, 1999*	*Jan. 3, 1998* [3]
Net Sales	$1,320,190	$1,206,624	$1,034,561	$897,821	$792,655
Cost of Merchandise Sold	1,003,567	896,560	781,038	677,334	579,747
Gross Profit	316,623	310,064	253,523	220,487	212,908
Selling, General and Administrative Expenses [2]	301,937	257,042	244,100	195,460	163,953
Other Income, Net	14,078	13,766	12,129	10,420	9,243
Income From Operations	28,764	66,788	21,552	35,447	58,198
Interest Expense	4,000	3,309	2,485	2,368	1,203
Income Before Income Taxes	24,764	63,479	19,067	33,079	56,995
Provision for Income Taxes	9,410	24,122	7,245	12,570	22,228
Net Income	$ 15,354	$ 39,357	$ 11,822	$ 20,509	$ 34,767
Earnings Per Share - Basic [4]	$0.37	$0.92	$0.26	$0.45	$0.75
Earnings Per Share - Diluted [4]	$0.37	$0.91	$0.26	$0.44	$0.73
Selected Operating Data:					
Stores Open at End of Period	253	226	205	182	151
Average Sales Per Store (000's) [5]	$5,922	$6,068	$5,663	$5,958	$6,261
Average Sales Per Square Foot of Selling Area [6]	$189	$192	$176	$185	$194
Comparable Store Net Sales (Decrease) Increase [7]	(0.7%)	9.7%	2.3%	1.2%	7.2%
Balance Sheet Data:					
Working Capital	$179,212	$120,602	$117,284	$110,985	$110,296
Total Assets	417,672	389,989	354,094	318,012	270,604
Long-term Debt	57,750	–	–	–	–
Total Stockholders' Equity	201,895	194,028	179,912	177,979	165,803

1 Beginning with fiscal 2001, the Company changed to a 52-53 week year ending on the Saturday closest to January 31; previously, the Company's fiscal year ended on the Saturday closest to December 31. See Note 12 to the Financial Statements for financial data for the five-week Transition Period ended February 3, 2001.

2 Selling, General and Administrative Expenses include a store closing charge of $2.9 million, a store closing credit of $3.4 million and a store closing charge of $15.9 million in fiscal 2001, 2000 and 1999, respectively.

3 The fiscal year ended January 3, 1998 is a 53-week year; all others are 52-week years.

4 Basic and Diluted Earnings Per Share are presented for all periods in accordance with Statement of Financial Accounting Standards No. 128, "Earnings Per Share" which the Company adopted in 1997 and have been restated for the two-for-one stock split declared in 1998.

5 Average sales per store (including sales from leased shoe and fragrance departments) for each period have been calculated by dividing (a) total sales during such period by (b) the number of stores open at the end of such period, in each case exclusive of stores open for less than 12 months. All periods are calculated on a 52-week basis.

6 Includes sales and selling space of the leased shoe and fragrance departments. Selling area excludes administrative, receiving and storage areas. All periods are calculated on a 52-week basis.

7 Comparable store information for a period reflects stores open throughout that period and for the same 52-week period in the prior year.

Management's Discussion & Analysis

This document includes a number of forward-looking statements which reflect the Company's current views with respect to future events and financial performance. Wherever used, the words "plan", "expect", "anticipate", "believe", "estimate" and similar expressions identify forward-looking statements.

All such forward-looking statements contained in this document are subject to risks and uncertainties that could cause the Company's actual results of operations to differ materially from historical results or current expectations. These risks include, without limitation, ongoing competition from other retailers many of whom are larger and have greater financial and marketing resources, the availability of suitable new store sites at acceptable lease terms, ability to successfully implement strategy to exit or improve under-performing stores, changing preferences in apparel, changes in the level of consumer spending due to current events and/or general economic conditions, adequate sources of designer and brand-name merchandise at acceptable prices, and the Company's ability to attract and retain qualified employees to support planned growth.

The Company does not undertake to publicly update or revise its forward-looking statements even if experience or future changes make clear that any projected results expressed or implied therein will not be realized.

The following should be read in conjunction with the "Selected Financial Data" and the notes thereto and the Financial Statements and notes thereto of the Company.

Results of Operations

The following table sets forth, for the periods indicated, the percentage of the Company's net sales represented by each line item presented:

	52 Weeks Ended		
	Feb. 2, 2002	Dec. 30, 2000	Jan. 1, 2000
Net sales	100.0%	100.0%	100.0%
Cost of merchandise sold	76.0	74.3	75.5
Gross profit	24.0	25.7	24.5
Selling, general and administrative expenses	22.9	21.3	23.6
Other income, net	1.1	1.2	1.2
Income from operations	2.2	5.6	2.1
Interest expense	.3	.3	.3
Income before income taxes	1.9%	5.3%	1.8%

Year Ended February 2, 2002 Compared to Year Ended December 30, 2000

In November 2001, the Company changed its year end (see Note 1 to the Financial Statements). The following discussion compares the 52 weeks ended February 2, 2002 to the 52 weeks ended December 30, 2000.

In 2001 the Company opened 30 stores and closed three stores bringing to 253 the number of stores in operation at year-end.

Net sales of $1.320 billion were achieved for the fiscal year 2001, an increase of $113.6 million, or 9.4 percent over net sales of $1.207 billion for the fiscal year 2000. The 30 new stores opened in 2001 contributed $74.3 million to net sales. Comparable store net sales, which decreased 0.7 percent from 2000, began to decline in early 2001, reversing strong, double digit increases from 2000. This trend continued in the fall season as shopping declined following the September 11 terrorist attacks.

Gross profit for 2001 was $316.6 million or 24.0 percent of net sales compared to $310.1 million or 25.7 percent of net sales for 2000. The 1.7 percent decrease in the gross profit percent resulted primarily from higher markdowns as a percent of sales and decreased leverage of occupancy expenses in 2001. Markdowns were particularly high during the fall season, primarily in the weeks following September 11, in order to reduce in-store inventories through promotion and markdowns.

Selling, general and administrative expenses were $301.9 million or 22.9 percent of net sales for 2001, as compared to $257.0 million or 21.3 percent of net sales in 2001. In 2001, selling, general and administrative expenses includes a pre-tax charge of $2.9 million for four stores that will be closed in fiscal 2002. Fiscal 2000 includes a $3.4 million store closing credit related to adjustments of store closing reserves recorded in fiscal 1999.The increase of 1.6 percent of net sales is primarily due to the effect of the store closing charge and credit, increased advertising and decreased leverage of selling and administrative expenses.

Pre-opening expenses for the 30 stores opened in 2001 amounted to $5.0 million and for the 22 stores opened in 2000, amounted to $3.4 million.

Other income, primarily from in-store leased shoe departments, was $14.1 million in 2001, a slight increase over the $13.8 million for 2000. The increase was primarily from the additional stores operated during 2001.

Interest expense for 2001 was $4.0 million, compared to $3.3 million in 2000. The increase resulted from higher average borrowings offset by lower interest rates during this year compared to last year. The increased borrowings were used to fund operating activities and to repurchase common stock.

Net income for 2001 was $15.4 million or $0.37 per diluted share compared to net income of $39.4 million or $0.91 per diluted share for 2000.

Five-Week Transition Period Ended February 3, 2001

See Note 12 to the Financial Statements for audited financial data for the five-week transition period of December 31, 2000 through February 3, 2001. This period precedes the start of the new fiscal year and no comparable period information is presented herein.

Year Ended December 30, 2000 Compared to Year Ended January 1, 2000

In fiscal 2000 the Company opened 22 stores and closed one store bringing to 226 the number of stores in operation at year-end.

Net sales of $1.207 billion were achieved for the fiscal year 2000, an increase of $172.0 million, or 16.6 percent over net sales of $1.035 billion for the fiscal year 1999. The 22 new stores opened in 2000 contributed $47.4 million to net sales. Comparable store net sales increased 9.7 percent over 1999.

During 1999, the Company approved a plan to close ten under-performing stores and recorded a $20.5 million pre-tax charge for store closing and asset impairment costs. The charge included $4.6 million, included in cost of merchandise sold, for inventory write-downs resulting from additional markdowns in four stores that were closed in 1999 and markdowns associated with clearance merchandise.The charge also included $15.9 million for the estimated cost of lease terminations in the amount of $13.4 million and $2.5 million which represented primarily costs to write-down certain leasehold improvements included in property and equipment. During 2000, the Company recorded a net pre-tax credit of $3.4 million related to the 1999 store closing reserve. The credit resulted from adjustments to estimated lease obligations for changes in anticipated closing dates and for favorable lease settlements ($2.5 million), unsatisfactory lease negotiations to close two stores ($1.9 million), offset by a $1.0 million charge for the write-down of furniture, fixtures and equipment related to store closings. The 1999 store closing charge and the related 2000 credit are included in Selling, general and administrative expenses.

Gross profit for 2000 was $310.1 million or 25.7 percent of net sales compared to $253.5 million or 24.5 percent of net sales for 1999. The 1.2 percent increase in the gross profit percent resulted primarily from lower markdowns as a percent of sales, leveraging occupancy expenses, and the effect of the $4.6 million inventory write-down in 1999 discussed above.

Selling, general and administrative expenses were $257.0 million or 21.3 percent of net sales for 2000, as compared to $244.1 million or 23.6 percent of net sales for 1999. As discussed above, these amounts include a $3.4 million store closing credit in 2000 and a $15.9 million store closing charge in 1999. Excluding the effect of store closing charges and credits, selling, general and administrative expenses increased $32.3 million, but decreased 0.5 percent of net sales from 1999. The increase in dollars is primarily due to the additional stores in operation during 2000 as compared to the number of stores in operation in 1999 and the decrease of 0.5 percent of net sales is primarily due to improved leveraging of selling and administrative expenses, offset by slightly higher advertising expenses.

Pre-opening expenses for the 22 stores opened in 2000 amounted to $3.4 million and for the 28 stores opened in 1999, amounted to $4.0 million.

Other income, primarily from in-store leased shoe departments, was $13.8 million in 2000, an increase of $1.7 million over the $12.1 million for 1999. The increase was primarily from the additional stores operated during 2000.

Interest expense for 2000 was $3.3 million, compared to $2.5 million in 1999. The increase resulted from higher average borrowings and higher interest rates in 2000. The increased borrowings were used to fund operating activities and to repurchase common stock.

Net income for 2000 was $39.4 million or $0.91 per diluted share compared to net income of $11.8 million or $0.26 per diluted share for 1999.

Liquidity and Capital Resources

The Company's primary capital requirements are to support inventory and capital investments for the opening of new stores, to maintain and improve existing stores, and to meet seasonal working capital needs. The Company's capital requirements and working capital needs are funded through a combination of internally generated funds, a bank line of credit and credit terms from vendors. As of February 2, 2002, the Company had $10.3 million in cash and cash equivalents. During the course of the Company's seasonal business cycle, working capital is needed to support inventory for existing stores, especially during peak selling seasons. Historically, the Company's working capital needs are lowest in the first quarter and peak in either the third or fourth quarter in anticipation of the fourth quarter selling season.

Net cash provided by operating activities for 2001 amounted to $29.7 million, compared to $42.4 million for 2000. Net cash provided by operating activities in 2001 decreased from the prior year primarily due to decreased net income and less cash required for the procurement of merchandise due to the Company's focus on reducing its inventory levels, which resulted in a 6.5 percent decrease in inventories in an average store for fiscal 2001 compared to fiscal 2000. The net decrease in accounts payable and accrued liabilities in 2001 compared to 2000 related primarily to the timing of payments caused by this year ending on February 2 versus last year ending on December 30.

For 2001 and 2000, cash flows used in investing activities amounted to $25.0 million and $20.9 million, respectively, primarily for the acquisition of store fixtures, equipment and leasehold improvements and for information system enhancements.

Cash used in financing activities was $5.5 million in 2001 and $26.1 million in 2000. During 2001, cash was used to repurchase 657,600 shares of the Company's common stock for $6.0 million and in 2000, 2,910,600 shares were repurchased for $28.4 million.

To facilitate an understanding of the Company's contractual obligations, the following data is provided:

	Payments Due By Period				
Contractual Obligations	*Total*	*Within 1 Year*	*2 – 3 Years*	*4 – 5 Years*	*After 5 Years*
Long-term debt	$ 57,750	$ –	$ 57,750	$ –	$ –
Operating leases	414,612	57,006	107,362	91,205	159,039
Total	$472,362	$57,006	$165,112	$91,205	$159,039

The Company has a revolving credit agreement with a group of banks, which extends through June 2004. The agreement, which was amended in April 2002, provides a $135 million senior revolving credit facility, including a $10 million letter of credit sub-facility. Borrowings are secured by trade and other receivables and inventories. Due to the seasonal nature of the Company's business, the Company's bank borrowings fluctuate during the year, typically reaching their highest levels during the third or fourth quarter, as the Company builds its inventory for the Christmas selling season. At February 2, 2002, there was $57.8 million outstanding and at December 30, 2000, there was no balance outstanding under the agreement. The agreement requires the Company to maintain certain financial ratios and meet required net worth and indebtedness tests.

The cost of opening a typical new store generally ranges from $450,000 to $650,000 for fixtures, equipment, leasehold improvements and pre-opening costs (primarily advertising, stocking and training). Pre-opening costs are expensed at the time of opening. Initial inventory investment for a new store is approximately $1.1 million (a portion of which is normally financed through vendor credit). The Company's total capital expenditures for 2002 (including amounts budgeted for new store expansion, improvements to existing stores and information system enhancements) are anticipated to be approximately $15 million.

The Company believes that expected net cash provided by operating activities, bank borrowings and vendor credit will be sufficient to fund anticipated current and long-term capital expenditures and working capital requirements.

Seasonality

The Company's business is seasonal in nature with a higher percentage of the Company's merchandise sales and earnings generated in the fall and holiday selling seasons. Accordingly, selling, general and administrative expenses are typically higher as a percent of net sales during the first three quarters of each year.

Critical Accounting Policies

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, expenses and related disclosure of contingent assets and liabilities. On an ongoing basis, management evaluates its estimates and judgments, including those related to inventory valuation, the impairment of long-lived assets and store closing costs.

Management bases its estimates and judgments on historical experience and other relevant factors, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. While the Company believes that the historical experience and other factors considered provide a meaningful basis for the accounting policies applied in the preparation of the financial statements, the Company cannot guarantee that its estimates and assumptions will be accurate, which could require the Company to make adjustments to these estimates in future periods. See Note 1 to the Company's Financial Statements for a discussion of its significant accounting policies.

New Accounting Pronouncements

In August 2001, Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" was issued. SFAS No. 144 supercedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be disposed of." The Company will adopt SFAS No. 144 in 2002 and does not expect its provisions to have a significant impact on financial position or results of operations.

Stein Mart, Inc.

Balance Sheet

(In thousands)

	February 2, 2002	February 3, 2001
ASSETS		
Current assets:		
Cash and cash equivalents	$ 10,276	$ 11,066
Trade and other receivables	5,201	3,449
Inventories	296,158	282,898
Prepaid expenses and other current assets	11,324	5,623
Total current assets	322,959	303,036
Property and equipment, net	88,601	81,555
Other assets	6,112	5,493
Total assets	$417,672	$390,084
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 93,675	$ 80,495
Accrued liabilities	46,001	43,200
Income taxes payable	4,071	4,799
Total current liabilities	143,747	128,494
Notes payable to banks	57,750	60,236
Other liabilities	14,280	12,863
Total liabilities	215,777	201,593
COMMITMENTS AND CONTINGENCIES		
Stockholders' equity:		
Preferred stock - $.01 par value; 1,000,000 shares authorized; no shares outstanding		
Common stock - $.01 par value; 100,000,000 shares authorized; 41,495,876 and 41,477,187 shares issued and outstanding, respectively	415	415
Paid-in capital	–	77
Retained earnings	201,480	187,999
Total stockholders' equity	201,895	188,491
Total liabilities and stockholders' equity	$417,672	$390,084

The accompanying notes are an integral part of these financial statements.

Stein Mart, Inc.
Statement of Income

(In thousands)

	For The 52 Weeks Ended		
	February 2, 2002	December 30, 2000	January 1, 2000
Net sales	$1,320,190	$1,206,624	$1,034,561
Cost of merchandise sold	1,003,567	896,560	781,038
Gross profit	316,623	310,064	253,523
Selling, general and administrative expenses	301,937	257,042	244,100
Other income, net	14,078	13,766	12,129
Income from operations	28,764	66,788	21,552
Interest expense	4,000	3,309	2,485
Income before income taxes	24,764	63,479	19,067
Provision for income taxes	9,410	24,122	7,245
Net income	$ 15,354	$ 39,357	$ 11,822
Earnings per share – Basic	$0.37	$0.92	$0.26
Earnings per share – Diluted	$0.37	$0.91	$0.26
Weighted-average shares outstanding – Basic	41,176	42,909	44,948
Weighted-average shares outstanding – Diluted	41,493	43,409	45,307

The accompanying notes are an integral part of these financial statements.

Stein Mart, Inc.
Statement of Stockholders' Equity

(In thousands)

	Common Stock	Paid-in Capital	Retained Earnings	Total Stockholders' Equity
Balance at January 2, 1999	$454	$31,238	$146,287	$177,979
Net income			11,822	11,822
Common shares issued under stock option plan and related income tax benefits	1	381		382
Common shares issued under employee stock purchase plan	1	1,021		1,022
Reacquired shares	(17)	(11,276)		(11,293)
Balance at January 1, 2000	439	21,364	158,109	179,912
Net income			39,357	39,357
Common shares issued under stock option plan and related income tax benefits	3	2,192		2,195
Common shares issued under employee stock purchase plan	2	955		957
Reacquired shares	(29)	(24,511)	(3,853)	(28,393)
Balance at December 30, 2000	415	-	193,613	194,028
Transition period December 31, 2000 to February 3, 2001:				
Net loss			(5,614)	(5,614)
Common shares issued under stock option plan and related income tax benefits		62		62
Common shares issued under employee stock purchase plan		469		469
Reacquired shares		(454)		(454)
Balance at February 3, 2001	415	77	187,999	188,491
Net income			15,354	15,354
Common shares issued under stock option plan and related income tax benefits	5	3,067		3,072
Common shares issued under employee stock purchase plan	2	995		997
Reacquired shares	(7)	(4,139)	(1,873)	(6,019)
Balance at February 2, 2002	$415	$ -	$201,480	$201,895

The accompanying notes are an integral part of these financial statements.

Stein Mart, Inc.

Statement of Cash Flows

(In thousands)

	For The 52 Weeks Ended		
	February 2, 2002	December 30, 2000	January 1, 2000
Cash flows from operating activities:			
Net income	$15,354	$39,357	$11,822
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	16,822	14,373	12,950
Write-down of property and other assets	1,114	1,038	2,528
Deferred income taxes	(4,999)	2,910	(4,722)
Tax benefit from exercise of stock options	1,024	810	96
Changes in assets and liabilities:			
Trade and other receivables	(1,752)	(286)	108
Inventories	(13,260)	(32,267)	(34,405)
Prepaid expenses and other current assets	(641)	4	304
Other assets	(619)	(648)	(1,845)
Accounts payable	13,180	4,465	14,639
Accrued liabilities	2,801	18,143	7,160
Income taxes payable	(728)	3,818	2,588
Other liabilities	1,356	(9,281)	12,589
Net cash provided by operating activities	29,652	42,436	23,812
Cash flows used in investing activities:			
Capital expenditures	(24,982)	(20,914)	(19,029)
Cash flows from financing activities:			
Net borrowings under notes payable to banks	(2,486)	-	-
Proceeds from exercise of stock options	2,048	1,385	286
Proceeds from employee stock purchase plan	997	957	1,022
Purchase of common stock	(6,019)	(28,393)	(11,293)
Net cash used in financing activities	(5,460)	(26,051)	(9,985)
Net decrease in cash and cash equivalents	(790)	(4,529)	(5,202)
Cash and cash equivalents at beginning of year	11,066	17,055	22,257
Cash and cash equivalents at end of year	$10,276	$12,526	$17,055
Supplemental disclosures of cash flow information:			
Interest paid	$ 3,980	$ 3,141	$ 2,450
Income taxes paid	14,221	16,887	9,493

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

February 2, 2002
(Dollars in tables in thousands except per share amounts)

1. Summary of Significant Accounting Policies

At February 2, 2002 the Company operated a chain of 253 off-price retail stores in 29 states. Each store offers women's, men's and children's apparel, as well as accessories, gifts, linens and shoes.

Change in Fiscal Year End

In November 2001, the Company changed its fiscal year end from the Saturday closest to December 31 to the Saturday closest to January 31. The five-week transition period of December 31, 2000 through February 3, 2001 (the "Transition Period") precedes the start of the new fiscal year. Audited financial information for the Transition Period is presented in Note 12. Results for 2001, 2000 and 1999 are for the 52 weeks ended February 2, 2002, December 30, 2000 and January 1, 2000, respectively.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less.

Inventories

Merchandise inventories are valued at the lower of average cost or market, on a first-in first-out basis, using the retail inventory method.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is provided on a straight-line method using estimated useful lives of 3-10 years. Leasehold improvements are amortized over the shorter of the estimated useful lives of the improvements or the term of the lease.

The Company follows Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," which requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. In evaluation of the fair value and future benefits of long-lived assets, the Company performs an analysis of the anticipated undiscounted future net cash flows of the related long-lived assets and reduces their carrying value by the excess, if any, of the results of such calculation. Management believes at this time that carrying values and useful lives continue to be appropriate, after adjusting for the impairment charge recorded in 2001, as disclosed in Note 10.

Store Pre-Opening and Closing Costs

New store pre-opening costs are expensed as incurred. In the event a store is closed before its lease has expired, the estimated costs of the lease termination and write-down of property and equipment is recorded upon Management's decision to close the store.

Advertising Expense

Advertising costs are expensed as incurred. Advertising expenses of $47,007,000, $2,256,000, $43,092,000 and $35,522,000 are reflected in Selling, general and administrative expenses in the Statement of Income for 2001, the Transition Period, 2000 and 1999, respectively.

Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted-average number of common shares outstanding for the period. Diluted earnings per share is computed by dividing net income by the weighted-average number of common shares outstanding plus common stock equivalents related to stock options for each period. Stock options are not included in the diluted loss per share calculation for the Transition Period because they are anti-dilutive.

A reconciliation of weighted-average number of common shares to weighted-average number of common shares plus common stock equivalents is as follows (000's):

	2001	*Transition Period*	*2000*	*1999*
Weighted-average number of common shares	41,176	41,476	42,909	44,948
Stock options	317	-	500	359
Weighted-average number of common shares plus common stock equivalents	41,493	41,476	43,409	45,307

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the 1999 and 2000 financial statements have been reclassified to conform to the 2001 presentation.

New Accounting Pronouncements

In August 2001, SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" was issued. SFAS No. 144 supercedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." The Company will adopt SFAS No. 144 in 2002 and does not expect its provisions to have a significant impact on financial position or results of operations.

2. Property and Equipment, Net

Property and equipment and the related accumulated depreciation and amortization are as follows:

	Feb. 2, 2002	*Feb. 3, 2001*
Furniture, fixtures and equipment	$133,072	$116,987
Leasehold improvements	46,677	40,018
	179,749	157,005
Less: accumulated depreciation and amortization	91,148	75,450
	$ 88,601	$ 81,555

3. Accrued Liabilities

The major components of accrued liabilities are as follows:

	Feb. 2, 2002	*Feb. 3, 2001*
Taxes, other than income taxes	$ 16,256	$ 14,441
Salary, wages, bonuses and benefits	10,246	11,229
Other	19,499	17,530
	$ 46,001	$ 43,200

Notes to Financial Statements

4. Notes Payable to Banks

In June 2001, the Company entered into a new revolving credit agreement with a group of banks, which extends through June 2004. The agreement, which was amended in April 2002, provides a $135 million senior revolving credit facility, including a $10 million letter of credit sub-facility. Borrowings are secured by trade and other receivables and inventories. Interest is payable at rates based on spreads over the London Interbank Offering Rate (LIBOR) or the Prime Rate. A quarterly commitment fee ranging from 0.375% to 0.50% per annum is paid on the unused portion of the commitment. The weighted average interest rates on borrowings during 2001, the Transition Period, 2000 and 1999 were 4.9%, 6.4%, 6.7% and 5.7%, respectively.

The agreement requires the Company to maintain certain financial ratios and indebtedness tests. At February 2, 2002, the Company was in compliance with all requirements of the amended agreement.

5. Stockholders' Equity

During 2001, the Transition Period, 2000 and 1999, the Company repurchased 657,600, 40,800, 2,910,600 and 1,702,300 shares of its common stock in the open market at a total cost of $6,019,000, $454,000, $28,393,000 and $11,293,000, respectively. As of February 2, 2002, there are 2,264,200 shares which can be repurchased pursuant to the Board of Directors' current authorizations.

6. Stock Option and Purchase Plans

On May 7, 2001, the shareholders approved a new stock option plan (the "Omnibus Plan") with options available under the plan for 4,500,000 shares of the Company's common stock. The Omnibus Plan replaced the Company's Employee Stock and Director Stock Option Plans. The term of the plan is indefinite, except that no incentive stock option award can be granted after the tenth anniversary of the plan.

The Omnibus Plan, consistent with the prior Employee Stock and Director Stock Option Plans, provides that shares of common stock may be granted to certain key employees and outside directors through non-qualified stock options, incentive stock options, stock appreciation rights, performance awards, or any other award made under the terms of the plan. The Board of Directors, or its delegated authority, determines the exercise price and all other terms of all grants. In general, one-third of the options granted in the past have become exercisable on the third, fourth and fifth anniversary dates of grant and expire ten years after the date of grant. No stock appreciation rights or restricted stock awards have been granted under this or the prior plan.

Activity for these fixed-price option plans is as follows:

	Number of Shares (000)	Weighted-Average Exercise Price
Outstanding at January 2, 1999	4,626	$10.92
Granted	308	7.50
Exercised	(57)	3.76
Forfeited	(252)	12.51
Outstanding at January 1, 2000	4,625	10.69
Granted	614	9.11
Exercised	(260)	4.89
Forfeited	(396)	12.65
Outstanding at December 30, 2000	4,583	10.64
Granted	–	–
Exercised	(8)	5.28
Forfeited	(33)	12.68
Outstanding at February 3, 2001	4,542	10.63
Granted	1,146	8.54
Exercised	(549)	3.58
Forfeited	(359)	13.90
Outstanding at February 2, 2002	4,780	$10.70

Exercisable stock options were 2.004 million, 1.860 million, 1.870 million and 1.317 million at February 2, 2002, February 3, 2001, December 30, 2000 and January 1, 2000, respectively.

The following table summarizes information about fixed-price stock options outstanding at February 2, 2002:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding (000)	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Number Exercisable (000)	Weighted-Average Exercise Price
$ 2.50 – 5.75	612	5.0	$ 5.29	318	$ 5.03
$ 6.53 – 9.63	1,648	8.1	8.12	269	8.00
$10.00 –13.81	1,965	5.4	13.24	1,181	13.39
$14.25 –16.59	555	6.3	15.31	236	15.04
	4,780	6.4	$10.70	2,004	$11.53

The Company has adopted the disclosure-only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," and intends to retain the intrinsic value method of accounting for stock-based compensation which it currently uses. Accordingly, no compensation cost has been recognized for the stock option plans. Had compensation cost of the Company's stock option plans been determined consistent with the provisions of SFAS No. 123, the Company's net income (loss) and earnings (loss) per share would have been reduced to the following pro forma amounts:

	2001	*Transition Period*	*2000*	*1999*
Net income (loss) – as reported	$15,354	$(5,614)	$39,357	$11,822
Net income (loss) – pro forma	13,267	(5,793)	36,466	8,141
Basic earnings (loss) per share – as reported	$0.37	$(0.14)	$0.92	$0.26
Diluted earnings (loss) per share – as reported	0.37	(0.14)	0.91	0.26
Basic earnings (loss) per share – pro forma	$0.32	$(0.14)	$0.85	$0.18
Diluted earnings (loss) per share – pro forma	0.32	(0.14)	0.84	0.18

The effects of applying this Statement for pro forma disclosures are not likely to be representative of the effects on reported net income for future years, because options vest over several years and additional awards are made each year. No options were granted during the Transition Period. In determining the pro forma compensation cost, the weighted-average fair value of options granted during fiscal 2001, 2000 and 1999 was estimated to be $5, $5 and $4, respectively, using the Black-Scholes options pricing model. The following weighted-average assumptions were used for grants made during 2001, 2000 and 1999: dividend yield of 0.0%, expected volatility of 51.7%, 51.1% and 48.7%, respectively, risk-free interest rate of 4.8%, 5.2% and 6.5%, respectively and expected lives of 7.0 years.

The Company has an Employee Stock Purchase Plan (the "Stock Purchase Plan") whereby all employees who complete six months employment with the Company and who work on a full-time basis or are regularly scheduled to work more than 20 hours per week are eligible to participate in the Stock Purchase Plan. Participants in the Stock Purchase Plan are permitted to use their payroll deductions to acquire shares at 85% of the fair market value of the Company's stock determined at either the beginning or end of each option period. In 2001, the Transition Period, 2000 and 1999, the participants acquired 127,220 shares, 53,856 shares, 198,051 shares and 172,494 shares of the Company's common stock at weighted average per-share prices of $7.84, $8.71, $4.83 and $5.92 per share, respectively.

On May 7, 2001, the shareholders approved an amendment to the Stock Purchase Plan, increasing the number of shares eligible for issuance under the Plan by 1,000,000 and extending the Plan until December 31, 2005.

7. Leased Facilities and Commitments

The Company leases all of its retail and support facilities. Annual store rent is generally comprised of a fixed minimum amount plus a contingent amount based on a percentage of sales exceeding a stipulated amount. Most leases also require additional payments covering real estate taxes, common area costs and insurance.

Rent expense is as follows:

	2001	*Transition Period*	*2000*	*1999*
Minimum rental	$55,278	$ 4,335	$48,329	$44,423
Contingent rentals	889	52	689	715
	$56,167	$ 4,387	$49,018	$45,138

At February 2, 2002, for the majority of its retail and corporate facilities, the Company was committed under noncancellable leases with remaining terms of up to 20 years. Future minimum payments under noncancellable leases are:

2002	$ 57,006
2003	55,187
2004	52,175
2005	48,215
2006	42,990
Thereafter	159,039
	$414,612

The Company subleases shoe department and fragrance department space in all of its stores. Sales from leased departments are excluded from sales of the Company. Sublease rental income of $12,610,000, $752,000, $12,710,000 and $11,388,000 is included in other income, net for 2001, the Transition Period, 2000 and 1999, respectively. Total future minimum rental income under these noncancellable subleases is $7,830,000 at February 2, 2002.

8. Employee Benefit Plans

The Company has a defined contribution retirement plan covering employees who are at least 21 years of age and have completed at least one year of service. Under the profit sharing portion of the plan, the Company makes discretionary contributions, which vest at a rate of 20 percent per year after two years of service. Under the 401(k) portion of the plan the Company contributes one percent of the employee's compensation and matches 50 percent of the employee's voluntary pre-tax contributions up to a maximum of four percent of the employee's compensation. The Company's base 401(k) contribution vests immediately while the matching portion vests in accordance with the plan's vesting schedule. Total Company contributions under the retirement plan were $1,571,000, $66,000, $1,750,000 and $1,500,000 for 2001, the Transition Period, 2000 and 1999, respectively.

During 1999, the Company implemented an executive split dollar life insurance plan wherein eligible executives are provided with pre-retirement life insurance protection based upon three to five times base salary. Upon retirement, the executive is provided with life insurance protection based upon one and one-half to two and one-half times final base salary. The expense for this plan was $293,000, $248,000 and $25,000 in 2001, 2000 and 1999, respectively. There was no expense recorded during the Transition Period.

Also during 1999, the Company implemented an executive deferral plan providing officers and key executives with the opportunity to participate in an unfunded, deferred compensation program. Under the program, participants may defer up to 100% of their base compensation and bonuses earned. The Company will match the executives' contributions 100% up to the first 10% of income deferred. The total of participant deferrals, which is reflected in accrued liabilities, was $814,000 at February 2, 2002 and $402,000 at February 3, 2001. The expense for this plan was $495,000, $25,000, $486,000 and $57,000 in 2001, the Transition Period, 2000 and 1999, respectively.

In connection with the above two plans, whole life insurance contracts were purchased on the related participants. At February 2, 2002 and February 3, 2001 the cash surrender value of these policies was $2,773,000 and $1,949,000, respectively, and is included in Other assets.

9. Income Taxes

The income tax provision (benefit) is as follows:

	2001	*Transition Period*	*2000*	*1999*
Current:				
Federal	$13,271	$(3,387)	$19,537	$11,022
State	1,138	(290)	1,675	945
Total current	14,409	(3,677)	21,212	11,967
Deferred:				
Federal	(4,604)	217	2,680	(4,349)
State	(395)	19	230	(373)
Total deferred	(4,999)	236	2,910	(4,722)
Income tax provision (benefit)	$ 9,410	$(3,441)	$24,122	$ 7,245

Income tax expense (benefit) differed from the amounts computed by applying the federal statutory rate of 35 percent to income before taxes as follows:

	2001	*Transition Period*	*2000*	*1999*
Federal tax at the statutory rate	$8,667	$(3,169)	$22,218	$6,673
State income taxes, net of federal benefit	743	(272)	1,904	572
	$9,410	$(3,441)	$24,122	$7,245
Effective tax rate	38.0%	38.0%	38.0%	38.0%

Temporary differences which give rise to deferred tax assets and liabilities are as follows:

	Feb. 2, 2002	*Feb. 3, 2001*
Deferred tax assets:		
NOL carryforward	$ 5,417	$ –
Store closing reserve	2,158	1,894
Inventories	650	1,782
Accrued liabilities	2,012	1,325
Other	1,384	1,104
	11,621	6,105
Deferred tax liabilities:		
Depreciation	12,019	11,853
Other	2,036	1,685
	14,055	13,538
Net deferred tax liability	$(2,434)	$(7,433)

At February 2, 2002, the Company has approximately $14 million in federal and state net operating loss ("NOL") carryforwards, which it expects to fully utilize in 2002. The NOL carryforwards, which expire in 2022, were generated in the five-week tax period ended February 2, 2002. This five-week tax period is the result of the Company's change in fiscal year (see Note 1).

On March 14, 2002, the Internal Revenue Service released new rules (Rev. Proc. 2002-19), which allow the Company an accelerated deduction of certain components of the Company's deferred tax asset relating to inventories. As a result, the Company's income tax payable and the corresponding deferred tax asset relating to inventories will be reduced by $3.8 million in the first quarter of fiscal 2002.

Deferred tax assets and liabilities are reflected on the Company's balance sheet as follows:

	Feb. 2, 2002	*Feb. 3, 2001*
Current deferred tax assets (included in Prepaid expenses and other current assets)	$ 7,127	$ 2,067
Non-current deferred tax liabilities (included in Other liabilities)	(9,561)	(9,500)
Net deferred tax liabilities	$ (2,434)	$ (7,433)

The exercise of certain stock options which have been granted under the Company's stock option plans gives rise to compensation which is includable in the taxable income of the applicable employees and deductible by the Company for federal and state income tax purposes. Such compensation results from increases in the market value of the Company's common stock subsequent to the date of grant of the applicable exercised stock options, and in accordance with Accounting Principles Board Opinion No. 25, such compensation is not recognized as an expense for financial accounting purposes and the related tax benefits are recorded directly in Paid-in Capital.

10. Store Closing and Asset Impairment Charges and Credits

During the fourth quarter of 2001, Management approved a plan to close four stores in 2002. As a result, the Company recorded a pre-tax charge of $2.9 million, including $2.2 million for the estimated cost of lease terminations and $0.7 million for the write-down of certain property and equipment. The charge is included in Selling, general and administrative expenses in the Statement of Income. The Company does not expect to incur significant additional exit costs upon the closing of these stores.

During 1999, the Company approved a plan to close ten under-performing stores and recorded a $20.5 million pre-tax charge for store closing and asset impairment costs. The charge included $4.6 million, included in cost of merchandise sold, for inventory write-downs resulting from additional markdowns in four stores that were closed in 1999 and markdowns associated with clearance merchandise. The charge also included $15.9 million for the estimated cost of lease terminations in the amount of $13.4 million and $2.5 million which represented primarily costs to write-down certain leasehold improvements included in property and equipment. During 2000, the Company recorded a net pre-tax credit of $3.4 million related to the 1999 store closing reserve. The credit resulted from adjustments to estimated lease obligations for changes in anticipated closing dates and for favorable lease settlements ($2.5 million), unsatisfactory lease negotiations to close two stores ($1.9 million), offset by a $1.0 million charge for the write-down of furniture, fixtures and equipment related to store closings. The 1999 store closing charge and the related 2000 credit are included in Selling, general and administrative expenses in the Statement of Income.

The store closing reserve at February 2, 2002 includes primarily the lease obligations for four stores that will close in 2002 and the remaining lease obligation for one store closed in December 1999. Payments during 2001 include lease termination and ongoing lease costs. Activity in the store closing reserve is as follows:

Balance at February 3, 2001	$ 4,984
Additions for 2002 closings	2,206
Payments on 1999 closings	(1,510)
Balance at February 2, 2002	$ 5,680

The store closing reserve includes a current portion of $1.0 million and a long-term portion of $4.7 million which are included in Accrued liabilities and Other liabilities, respectively.

11. Quarterly Results of Operations (Unaudited)

As discussed in Note 1, the Company changed its fiscal year in 2001. The 13 week periods of 2001 reflect this change.

	13 Weeks Ended			
Year Ended February 2, 2002	*May 5, 2001*	*Aug. 4, 2001*	*Nov. 3, 2001*	*Feb. 2, 2002*
Net sales	$317,069	$291,473	$304,367	$407,281
Gross profit	83,077	71,810	64,179	97,557
Net income (loss)	9,132	3,048	(5,828)	9,002
Earnings (loss) per share – Basic	$ 0.22	$ 0.07	$ (0.14)	$ 0.22
Earnings (loss) per share – Diluted	$ 0.22	$ 0.07	$ (0.14)	$ 0.22

	13 Weeks Ended			
Year Ended December 30, 2000	*Apr. 1, 2000*	*Jul. 1, 2000*	*Sept. 30, 2000*	*Dec. 30, 2000*
Net sales	$245,451	$291,188	$267,561	$402,424
Gross profit	57,155	82,279	63,077	107,553
Net income	999	13,830	2,082	22,446
Earnings per share – Basic	$ 0.02	$ 0.32	$ 0.05	$ 0.53
Earnings per share – Diluted	$ 0.02	$ 0.32	$ 0.05	$ 0.52

12. Transition Period Financial Information

Statement of Income for the five-week Transition Period ended February 3, 2001:

Net sales	$84,013
Cost of merchandise sold	70,609
Gross profit	13,404
Selling, general and administrative expenses	23,106
Other income, net	833
Loss from operations	(8,869)
Interest expense	186
Loss before income tax benefit	(9,055)
Income tax benefit	3,441
Net loss	$ (5,614)
Loss per share – Basic and Diluted	$ (0.14)

(In thousands except per share amounts)

12. Transition Period Financial Information *(continued)*

Statement of Cash Flows for the five-week Transition Period ended February 3, 2001:

Cash flows from operating activities:	
Net loss	$ (5,614)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	1,299
Tax benefit from exercise of stock options	22
Deferred income taxes	236
Changes in assets and liabilities:	
Trade and other receivables	1,309
Inventories	(5,445)
Prepaid expenses and other current assets	529
Other assets	50
Accounts payable	(41,083)
Accrued liabilities	(8,556)
Income taxes payable	(3,705)
Other liabilities	55
Net cash used in operating activities	(60,903)
Cash flows used in investing activities:	
Capital expenditures	(848)
Cash flows from financing activities:	
Net borrowings under notes payable to banks	60,236
Proceeds from exercise of stock options	40
Proceeds from employee stock purchase plan	469
Purchase of common stock	(454)
Net cash provided by financing activities	60,291
Net decrease in cash and cash equivalents	(1,460)
Cash and cash equivalents at December 30, 2000	12,526
Cash and cash equivalents at February 3, 2001	$11,066

Interest and taxes paid during the five-week Transition Period ended February 3, 2001 were $1,072,000 and $17,000, respectively.

13. Legal Proceedings

The Company is involved in various routine legal proceedings incidental to the conduct of its business. Management does not believe that any of these legal proceedings will have a material adverse effect on the Company's financial condition or results of operations.

Stein Mart, Inc.
Report of Independent Certified Public Accountants

PricewaterhouseCoopers

To the Board of Directors
and Stockholders of Stein Mart, Inc.

In our opinion, the accompanying financial statements appearing on pages 12 through 24 of this annual report present fairly, in all material respects, the financial position of Stein Mart, Inc. at February 2, 2002 and February 3, 2001, and the results of its operations and its cash flows for the year ended February 2, 2002, for the five-week Transition Period ended February 3, 2001, and for each of the two years in the period ended December 30, 2000, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit 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 management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Jacksonville, Florida
March 29, 2002, except for Note 4, as to which the date is April 17, 2002

Stein Mart, Inc.
Corporate Officers & Board of Directors

Corporate Officers

Management Committee

Jay Stein, Chairman of the Board

John H. Williams, Jr., Vice Chairman, Chief Executive Officer

Michael D. Fisher, President and Chief Operating Officer

Gwen K. Manto, Executive Vice President and Chief Merchandising Officer

James G. Delfs, Senior Vice President and Chief Financial Officer

D. Hunt Hawkins, Senior Vice President, Human Resources

Michael D. Ray, Senior Vice President, Director of Stores

Vice Presidents/Corporate

W. Michael Allen, Real Estate

David W. Bothe, Marketing, Advertising and Sales Promotion

Carl D. Davis, Administration

Ronald G. Hughes, Distribution and Traffic

Joseph Martinolich, Internal Audit, Safety and Security

Roseann McLean, Planning and Allocation

Clayton E. Roberson, Jr., Controller

Matthew K. Votaw, Information Systems

Vice Presidents/Regional Directors of Stores

E. L. Berley
Robert H. Brooks
Jim C. Love
Roy E. Roberts
Diane Tarman

Vice Presidents/General Merchandising Managers

Peggy McCarthy Hildreth, Ladies' Sportswear, *Boutique*, Special Sizes

Richard J. Marini, Dresses, Ladies´ Accessories, Children´s, Intimate Apparel

John H. Pennell, Men's and Young Men's

Patricia A. Stagner, Gifts, Linens

Board of Directors

Jay Stein, Chairman of the Board, Stein Mart, Inc. Formerly a director of American Heritage Life Insurance Company and Promus Hotel Corporation.

John H. Williams, Jr., Vice Chairman and Chief Executive Officer, Stein Mart, Inc. Also a director of SunTrust Bank, North Florida N.A.

Alvin R. Carpenter, Former Vice Chairman, CSX Corporation. Also a director of Regency Centers Corporation, Florida Rock Industries, Inc.; and Birmingham Steel Corporation. *Chairman, compensation committee.*

Linda McFarland Farthing, Former president and director of Friedman's, Inc. Also former president and director, Cato Corporation. *Audit Committee.*

Mitchell W. Legler, Esquire, majority shareholder, Kirschner & Legler, P.A. General counsel to the Company. Formerly partner with Foley & Lardner. *Compensation committee.*

Michael D. Rose, Private Investor. Chairman, Gaylord Entertainment, 2001 to present. Former chairman, Promus Hotel Corporation. Director of Darden Restaurants, Inc.; First Tennessee National Corporation; and Felcor Lodging Trust, Inc. *Audit committee.*

Martin E. Stein, Jr., chairman and chief executive officer of Regency Centers Corporation. Also a director of Patriot Transportation Holding, Inc. and Florida Rock Industries, Inc.

J. Wayne Weaver, chairman and chief executive officer LC Footwear, L.L.C., the licensed shoe division of Liz Claiborne, Inc.; chairman of Shoe Carnival, Inc.; and chairman, chief executive officer and majority owner of the Jacksonville Jaguars.

James H. Winston, Chairman, LPMC, a real estate investment firm based in Jacksonville, Florida. President of Omega Insurance Company, Citadel Life & Health Insurance Company and Wellington Investments. Also a director of FRP Properties, Inc. Winston Hotels and Scott-McRae Group, Inc. *Chairman, audit committee; compensation committee.*

Stein Mart, Inc.
Stockholder Information

Corporate headquarters

Stein Mart, Inc.
1200 Riverplace Boulevard
Jacksonville, FL 32207
(904) 346-1500

Notice of annual meeting of stockholders

The annual meeting of stockholders will be held at two o'clock in the afternoon, Monday, June 3, 2002 at The Cummer Museum of Art and Gardens, 829 Riverside Avenue, Jacksonville, Florida.

Transfer Agent and Registrar

Mellon Investor Services LLC
P. O. Box 3315
South Hackensack, NJ 07606-1915
Shareholder services: 1-800-756-3353
Website: www.mellon-investor.com

Legal Counsel

Mitchell W. Legler
Kirschner & Legler, P.A.
300A Wharfside Way
Jacksonville, Florida 32207

Independent Auditors

PricewaterhouseCoopers LLP
Jacksonville, Florida

Common stock information

Stein Mart's common stock trades on The Nasdaq Stock Market® under the trading symbol SMRT. On April 12, 2002, there were 1,109 stockholders of record.

The following table reflects the high and low sales prices of the common stock for each fiscal quarter in 2000 and 2001.

2000 (Quarter ending)	High	Low
April 1, 2000	$ 8.25	$ 4.00
July 1, 2000	$10.63	$ 6.48
September 30, 2000	$ 13.38	$ 9.75
December 30, 2000	$ 15.88	$ 8.94
2001* (Quarter ending)		
May 5, 2001	$12.31	$ 8.69
August 4, 2001	$12.47	$ 7.85
November 3, 2001	$ 9.08	$ 6.12
February 2, 2002	$ 9.20	$ 7.96

* Beginning with fiscal year 2001, the Company changed to a 52-53 week year ending the Saturday closest to January 31; previously, the Company's fiscal year ended on the Saturday closest to December 31. The high and low sales prices of the common stock during the Transition Period, December 31, 2000 through February 3, 2001 were $13.25 and $10.13, respectively.

The Company intends to reinvest future earnings in the business and accordingly does not anticipate paying dividends in the foreseeable future.

Financial Information

Investor inquiries are welcome. You may contact the Company by letter to request information, including a copy of Stein Mart's Annual Report to the Securities and Exchange Commission on Form 10-K. Additional copies and other financial reports are available without charge upon request from our Stockholder Relations Department at the Company's corporate address, listed above.

To receive Stein Mart information electronically, you may choose to:

- Visit www.steinmart.com for current and past news releases, SEC filings, current stock price and stock history or to receive automatic notification of Stein Mart news and events.
- E-mail your request to dgaskins@steinmart.com.
- Call (904) 346-1500, x. 5888, to request information to be mailed.

Members of the financial community or the news media: please call Susan Datz Edelman, Director of Stockholder Relations, at (904) 346-1506, for additional information.

Mission Statement

To provide customer service that is prompt, friendly, knowledgeable and recognized as being superior in our industry.

To provide timely, unique and fashionable selections of quality name-brand merchandise of competitive price and value.

To provide a well presented, clean, comfortable shopping environment that is an asset to the community.

To provide a pleasant work place for our associates with appreciation and recognition for their efforts in achieving our company's mission.

Printed on recycled paper

The production of this Stein Mart annual report was based on a Company commitment to provide current and prospective stockholders with accurate, thorough, and timely information about the Company while incurring only modest production costs.

Stein Mart®

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