STOCKMANN
Operations in Russia
27 November 2015
Stockmann targets a comprehensive turnaround with its new strategy

**CUSTOMER**
“Every day is a new opening”
- focus on providing a top-notch shopping experience and increasing sales

**EFFICIENCY**
“Every square metre needs to be profitable”
- efficient use of sales space, optimal store network and effective support functions

27.11.2015
Focusing on key businesses, withdrawing from unprofitable operations

Strategic direction chosen, new corporate structure

Withdraw from non-core businesses

Developing Lindex independently

Stockmann Retail and Real Estate: strong partnership

Efficiency programme

Focus on fashion, food, cosmetics, home

New tenants

Expert, Hamleys, Bonnier etc.

New structure as of 1 January 2015

Seppälä divested on 1 April 2015

Stockmann Beauty stores closed by 31 May 2015

Academic Bookstore divested on 1 October 2015

Hobby Hall selling process on-going

Pulling out from department store business in Russia

27.11.2015
Heavy operating losses in Russia since the start of the global financial crisis
Stockmann to sell its Russian department stores to Reviva Holdings

• Stockmann has signed an agreement to sell its subsidiary AO Stockmann to Reviva Holdings Limited
  – Owner of Debruss which is the Russian franchisee of the international department store retailer Debenhams
  – Aiming at closing the transaction on 31 January 2016, transfer of operations on 1 February 2016
• Reviva will assume operations of all 7 Russian department stores
  – Reviva has negotiations on-going and expects to extend lease agreements in the three department stores in Megas
  – Logistics centre, an outlet store, administration and support functions mainly located in Moscow and most of inventories included in the transaction
  – Reviva will become the anchor tenant of Nevsky Centre with a long-term rental agreement
• Enables business continuity to customers and personnel in Russia
  – Over 1.7 million Stockmann loyal customers in Russia
  – Around 2 300 employees
Financial implications of the transaction

• Purchase price EUR 5 million
  – Significant lease liabilities will also be transferred to Reviva
• Stockmann will book non-recurring costs of approx. EUR 75 million for Q4 2015
  – Estimated at current exchange rate; currency fluctuations may change the final amount
• Outlook and guidance for 2015 remains unchanged
  – Group’s revenue is expected to be down on 2014 due to planned structural changes. The operating result excluding non-recurring items is expected to improve from 2014 but to remain negative due to the performance of the Stockmann Retail division. The operating results for the Real Estate and Fashion Chains divisions are expected to be positive.
• Will improve Stockmann’s profitability in stages from 2016 onwards
  – Requires increased efficiency in the support functions in Finland
  – Efficiency programme on-going for annual cost savings of EUR 50 million
Debenhams in brief

• International, multi-channel retailer with British heritage
  – Established in 1778 in London
  – Listed on the London Stock Exchange

• Over 240 stores in 28 countries
  – Own department stores in UK, Ireland and Denmark (Magasin du Nord, since 2009)
  – Franchise stores in other countries

• Revenue in 2014:
  2.3 billion pounds
  (~ EUR 3.2 billion)

• Staff: over 25 000
About Reviva Holdings

• Privately owned group of companies
• 100% owner of Debruss which is the Russian franchisee of Debenhams
• Currently operating two Debenhams stores in Moscow area in Russia
  – Mega Belay Dacha 2012
  – Avia Park 2015
• Reviva Holdings will have right to use Stockmann brand in Russia for two years from closing
  – Stores will be gradually transferred under the Debenhams brand during that time
• Reviva Holdings is committed to developing the business further
  – Experience from local and international retail markets
Stockmann’s history in Russia: Key milestones

First stores in Russia opened in 1989 in Moscow (GUM and Zazepsky Val) and in St Petersburg in 1993.

First department store in Russia opened in Moscow in 1998 and was obliged to close down in 2008.

Stockmann opened the first Russian Zara store in 2003. The franchise business was sold to Inditex in 2006.

Nevsky Centre shopping centre was built on an own land plot and opened in St Petersburg in 2010.
Seven department stores in Russia with revenue of EUR 240 million in 2014

**MEGA SOUTH**
Opened 4/2004

**MEGA NORTH**
Opened 12/2004

**MEGA EAST**
Opened 2/2007

**METROPOLIS**
Opened 2/2009

**ROSTOKINO**
Opened 3/2010

**NEVSKY CENTRE**
Opened 11/2010

**EKATERINBURG**
Opened 3/2011
All-time low Russian rouble has deepened losses and made the future outlook more insecure

EURO/ROUBLE exchange rate
January 2012 – November 2015

Source: Nordea e-Markets

STOCKMANN
Stockmann Retail will focus on multichannel department store business in Finland and Baltics

Strong focus on **fashion, cosmetics, food and home** products in nine department stores and the online store.

Strategic actions continue to improve customer **service**, product **selection** and customer **loyalty** in all channels.
Stockmann will continue to own and operate the Nevsky Centre shopping centre

• Opened in the heart of St Petersburg in November 2010
• Gross leasable area of approx. 46 000 sqm with around 90 tenants
• Owned by Stockmann plc’s subsidiary, Stockmann Spb Centre LLC
Nevsky Centre’s strong tenant mix – Debenhams to become the anchor tenant
Real Estate provides a solid foundation for Stockmann’s operations

Real Estate in Brief

Gross leasable area (GLA) 144,000 sqm, of which in Stockmann Retail’s use 71% (30 Sep 2015) or approx. 53% (estimate 1 Feb 2016)

Fair value EUR 908 million (1 Jan 2015)

Nevsky Centre in St Petersburg, Russia

Department store building in Helsinki city centre, Finland

Book Building in Helsinki city centre, Finland

Department store building in Tallinn, Estonia

Department store building in Riga, Latvia
Lindex will continue to build a world-class fashion brand

- Strong affordable fashion concepts in women’s wear, lingerie, children’s wear and cosmetics
- Targets stable growth with improved profitability
- 488 stores in 18 countries, of which 38 franchising stores in 7 countries*
  - Strong Nordic presence
  - Online store operating in the EU area and Norway
  - In Russia, all stores will be closed down by summer 2016
  - New franchising markets in 2015: Kosovo and Albania
  - First store opened in London UK in March, second in November 2015

* Stores as of 30.9.2015
Stockmann Group in 2016

- 9 department stores in 3 countries
- 5 real estate properties in 4 countries
- Approx. 480 Lindex stores in 18 countries
- Stockmann, Lindex and Hobby Hall online stores
- Revenue*: approx. EUR 1.5 billion
- Personnel: approx. 11 000

*) Revenue in 2014 excluding Seppälä and department store business in Russia
Thank you

Q&A

Christmas wrapped up in its best