STOCKMANN
Taking the new strategy into action

Lauri Veijalainen, CFO
8 January 2016
Stockmann in brief

- International multichannel retailer founded in 1862
- 16 department stores and almost 500 fashion stores in 19 countries, operations in 23 countries
- Over 50,000 shareholders on Nasdaq Helsinki
New operating structure as of 1 January 2015: Stockmann Retail, Real Estate, Fashion Chains

STOCKMANN GROUP

GROUP’S SHARED FUNCTIONS

STOCKMANN RETAIL

Stockmann
Department stores in 4 countries, Stockmann.com store

REAL ESTATE

Stockmann
Properties in Helsinki, Tallinn, Riga and St Petersburg

FASHION CHAINS

LINDEX

Includes Hobby Hall
Included Academic Bookstore until 1 October 2015

Included Seppälä until 1 April 2015
Focusing on key businesses, withdrawing from unprofitable operations

Strategic direction chosen, new corporate structure

Withdrawing from non-core businesses

Developing Lindex independently

Stockmann Retail and Real Estate: strong partnership

Focusing on key businesses, withdrawing from unprofitable operations

Efficiency programme

New markets, exit from Russia

Focusing on fashion, food, cosmetics, home

New tenants Expert, Hamleys, Bonnier etc.

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Seppälä divested on 1 April 2015

Stockmann Beauty stores closed by 31 May 2015

Academic Bookstore divested on 1 October 2015

Hobby Hall sale process on-going

Pulling out from department store business in Russia
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 estimated to take place 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
**Strong new anchor tenant Reviva is a franchisee of the international Debenhams**

<table>
<thead>
<tr>
<th>Reviva Holdings</th>
<th>Debenhams in brief</th>
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<tbody>
<tr>
<td>• Privately owned group of companies</td>
<td>• International, multi-channel retailer with British heritage</td>
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<tr>
<td>• 100% owner of Debruss which is the Russian franchisee of Debenhams</td>
<td>– Established in 1778 in London</td>
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<td>• Currently operating two Debenhams stores in Moscow area in Russia</td>
<td>– Listed on the London Stock Exchange</td>
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<td>– Mega Belaya Dacha 2012</td>
<td>• Over 240 stores in 28 countries</td>
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<td>– Avia Park 2015</td>
<td>– Own department stores in UK, Ireland and Denmark (Magasin du Nord, since 2009)</td>
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<tr>
<td>• Reviva Holdings will have right to use Stockmann brand in Russia for two years from closing</td>
<td>– Franchise stores in other countries</td>
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<td>– Stores gradually transferred under the Debenhams brand by 2017</td>
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<tr>
<td>• Reviva Holdings is committed to developing the business further</td>
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Financial implications of the Russian department store sale

- Purchase price EUR 5 million
  - Significant lease liabilities will also be transferred to Reviva
- Booking non-recurring costs of approx. EUR 75 mill for Q4 2015
  - Estimated at current exchange rate; currency fluctuations may change the final amount
- Outlook and guidance for 2015 remains unchanged
- 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

Stockmann Group’s operating result in Russia 2008-2014

<table>
<thead>
<tr>
<th>Year</th>
<th>EURm</th>
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<tbody>
<tr>
<td>2008</td>
<td>-15</td>
</tr>
<tr>
<td>2009</td>
<td>-20</td>
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<tr>
<td>2010</td>
<td>-25</td>
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<tr>
<td>2011</td>
<td>-30</td>
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<tr>
<td>2012</td>
<td>5</td>
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<tr>
<td>2013</td>
<td>0</td>
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<tr>
<td>2014</td>
<td>10</td>
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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

8.1.2016
Stockmann Retail

- **16 department stores** in 4 countries and a strongly growing **online store**
  - Decision made to sell all 7 stores in Russia and close 1 store in Finland

- Offering targeted at customers who value **convenience, quality and inspiration**
  - Best-in-class service: top-notch, omnichannel experience
  - Best mix of brands and choices: up-to-date selection with seasonally changing pop-ups, brands and events
  - Loyalty truly awarded: New, personal loyal customer programme

- Strong focus on **fashion, cosmetics, food and home** products
  - Withdrawal from own product categories for electronics (except small kitchen/beauty appliances), books, sport equipment, toys and pet supplies

- Increasing **efficiency in use of premises** by releasing sales space in stores
Several actions aim for improved operations

**New Distribution Centre in April 2016**
- Centralising four warehouses in Finland and one in Latvia into a common terminal
- Automated operations to serve Stockmann’s Finnish and Baltic department stores and the online store more efficiently

**Improving Herkku (Delicatessen)**
- Focus on competitive advantages: freshness, quality and easiness
- Efficiency improvements in store operations, incl. waste management
- New chain director appointed to lead the entire operation

**Optimising product categories**
- Revising brand mix in all categories
- Increasing communication on renewal and choices
- Better supplier collaboration and reviewing the number of suppliers
Enhanced customer experience: Inspiration, quality and convenience

Strategic actions continue to improve customer service, product selection and customer loyalty in all channels.
Real Estate

- **Five own properties** in Helsinki, St Petersburg, Tallinn, and Riga
  - Gross leasable area of 144,000 sqm
  - Stockmann Retail leasing 71% of GLA as of 30 Sept 2015 and 53% after sale of Russian store operations

- Strategic target is to increase the value of properties by improving cash flows from tenants
  - **Fair value of properties** EUR 908.3 million on 1 January 2015

- Strengthening the Stockmann offering with **attractive goods and services from tenants**
  - Leasing out store space released by Stockmann Retail, replacing non-core product categories

- **Cost-efficient facility management** for all own and leased premises
  - Professional real estate service organisation supporting all tenants
New tenants in department store premises in 2015

- Expert in Helsinki, Turku (Q2) and Tampere (Q3)
- Euronics in Tallinn and Riga (Q3)
- Bonnier/Academic Bookstore in Helsinki, Tampere, Itis and Jumbo; in Turku and Tapiola lease agreements transferred to Bonnier (Q4)
- Hamleys, Halti, Musti ja Mirri and Espresso House in Helsinki (Q4)
- Pharmacy Syke in Tampere, Costa Coffee in Riga (Q2), Katharinenthal café (Q4) and Yliopiston Apteekki (2016) in Tallinn
- Intera Partners in office premises in Helsinki (2016)
- In total over 12 000 sqm released from own retail to tenants in 2015; leasing of sales space taken place with speed
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
• Reviva will become the anchor tenant with a long-term rental agreement
Lindex

• One of Europe’s leading fashion chains
  – Offering inspiring, affordable fashion for women
  – Strong fashion concepts in **ladies wear, lingerie, children’s wear and cosmetics**
• Founded in 1954, part of Stockmann Group since December 2007
• **487 fashion stores in 19 countries** and a rapidly growing **online store** operating in EU countries and Norway
• Continuously increased **customer and sales focus**
  – Actions for cost reductions continue according to plan
  – Increasing focus on responsible supply chain and sustainable materials
  – Charity cooperation with e.g. Pink Ribbon and the UN Refugee Agency
Lindex is growing through own stores and franchising operations

- In total 487 stores in 19 countries, of which 37 franchising stores in 8 countries*
  - 17 new stores in 2015
  - 21 closed stores in 2015
- Strong Nordic presence: Sweden, Norway and Finland
  - New store opening e.g. in Mall of Scandinavia in Stockholm in Q4
  - New market opening in the UK: first store opened Q1 and second in Q4 2015
- Growing franchising business with two new markets in 2015: Kosovo (Q1) and Albania (Q4)
- In Russia, all 19 stores will be closed down during 2015–2016
Group-level efficiency programme for a rationalised scope of operations

Annual cost savings of EUR 50 million targeted by the end of 2016

- Releasing own store space and bringing in new tenants
  - Over 12 000 sqm released during 2015

- Withdrawing from certain product categories in 2015
  - Electronics (Q2), books (Q3), sports equipment, pet supplies and toys (Q4)

- Store closures
  - 1 department store in Finland (Oulu)
  - 19 Lindex stores in Russia 2015-2016

- Improved cooperation with suppliers
  - Reviewing brand mix and renegotiations terms with key suppliers for improved gross margin
  - Inventories down by over EUR 45 million (30 Sept 2015, y-o-y) in Stockmann Retail

- Simplified processes and streamlined support functions
  - Over 200 jobs in Finland and Russia reduced in 2015; in total up to 420 in 2015-2016
  - New distribution centre to reduce headcount in warehouses by approx. 110
  - Reduced office and store costs for Lindex

In addition further cost savings achieved through sale of Russian department store business
Market environment and outlook for 2015

• Retail market in **Russia** remains very uncertain: all-time-low rouble, weak economy and purchasing power

• No growth is expected in the retail market in **Finland** in 2015
  – Fashion market down by 8.1% in January-November (TMA)

• Markets in **Sweden** and **Baltic** countries expected to remain relatively stable
  – Fashion market up 2.2% in January-November (Stilindex)

Stockmann Group’s **revenue** is expected to be down compared to 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.
Appendix:
Shareholder structure

- Listed on the Helsinki stock exchange in 1942
- Two series of shares
  - Series A: 10 votes
  - Series B: 1 vote; more liquid on the stock market

- Major shareholders shares (votes):
  - HTT Holding Oy Ab 11.7% (10.7%)
  - Föreningen Konstsamfundet 9.4% (15.1%)
  - Svenska litteratursällskapet 7.6% (15.7%)
  - Varma Mutual Pension Insurance 6.9% (4.7%)
  - Niemistö Grouping 5.8% (9.4%)
  - Stiftelsen för Åbo Akademi 4.2% (6.7%)
Appendix: Stockmann Group’s financial performance in Q3 2015

- Revenue excluding Seppälä down by 2.9% at comparable exchange rates
- Group’s gross margin 50.1% (49.6%)
- Operating costs EUR 171.5 million (EUR 198.7 million)
  - Decline due to cost savings measures in all divisions and divestment of Seppälä
  - Includes non-recurring costs of EUR 3.2 million due to Academic Bookstore
- Depreciation EUR 20.5 million (EUR 17.2 million)
  - Increase due to fair value calculation of properties
- Group’s operating result excluding non-recurring items EUR -12.7 million (EUR -14.8 million)
  - Improved result for Lindex: EUR 15.5 million (EUR 10.0 million)
## Appendix:
### Key figures 1-9/2015

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<tbody>
<tr>
<td><strong>Equity ratio</strong>*</td>
<td>%</td>
<td>43.8</td>
<td></td>
<td>39.0</td>
<td>39.3</td>
</tr>
<tr>
<td><strong>Gearing</strong>*</td>
<td>%</td>
<td>89.9</td>
<td></td>
<td>114.3</td>
<td>105.4</td>
</tr>
<tr>
<td><strong>Net financial costs</strong></td>
<td>EUR mill.</td>
<td>15.7</td>
<td>5.7</td>
<td>17.4</td>
<td>4.7</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td>EUR mill.</td>
<td>1 137.1</td>
<td>350.9</td>
<td>1 295.9</td>
<td>405.0</td>
</tr>
<tr>
<td><strong>Operating result excluding NRI</strong>*</td>
<td>EUR mill.</td>
<td>-56.9</td>
<td>-12.7</td>
<td>-55.1</td>
<td>-14.8</td>
</tr>
<tr>
<td><strong>Result for the period</strong>*</td>
<td>EUR mill.</td>
<td>-84.6</td>
<td>-16.5</td>
<td>-61.7</td>
<td>-19.5</td>
</tr>
<tr>
<td><strong>Cash flow from operating activities</strong></td>
<td>EUR mill.</td>
<td>-79.8</td>
<td>-31.8</td>
<td>-87.3</td>
<td>-51.9</td>
</tr>
<tr>
<td><strong>Inventories</strong></td>
<td>EUR mill.</td>
<td>261.2</td>
<td></td>
<td>334.4</td>
<td>239.3</td>
</tr>
<tr>
<td><strong>Capital expenditure</strong></td>
<td>EUR mill.</td>
<td>37.0</td>
<td>10.8</td>
<td>42.7</td>
<td>15.4</td>
</tr>
<tr>
<td><strong>Depreciation</strong>*</td>
<td>EUR mill.</td>
<td>61.8</td>
<td>20.5</td>
<td>53.6</td>
<td>17.2</td>
</tr>
<tr>
<td><strong>Property, plant and equipment</strong>*</td>
<td>EUR mill.</td>
<td>1 003.9</td>
<td></td>
<td>599.2</td>
<td>590.5</td>
</tr>
<tr>
<td><strong>Balance sheet total</strong>*</td>
<td>EUR mill.</td>
<td>2 337.5</td>
<td></td>
<td>2 060.4</td>
<td>1 936.5</td>
</tr>
</tbody>
</table>

As of 1 January 2015, real estate properties have been measured at fair values, which impacts several key figures marked with *. The revaluation is not applied retrospectively for 2014. Unlike real estate companies, Stockmann is required to depreciate the fair market values during the financial year that leads to decreasing real estate value during the year prior to the new market valuation that is done annually in the beginning of the year.
Appendix: Maturity structure of interest-bearing liabilities

• EUR 700 million committed credit facilities, of which EUR 291 million undrawn as of 30 September 2015, due in February 2019
• EUR 150 million bond due in March 2018

In addition, EUR 85 million hybrid bond issued in December 2015, with early redemption option on 31 January 2020