Interim Report
January-March 2013

CEO Hannu Penttilä
26 April 2013
Q1 2013 in brief

- Three sales days less than in 2012
  - February: no leap day in 2013
  - March: Easter (affected mainly Nordic countries)
- Cold weather postponed sales of spring merchandise
- Exceptionally weak market in particular in Finland
  - Low consumer confidence
  - Declining consumers’ purchasing power
- No major changes in the market in Russia and the Baltic countries
- Revenue and earnings down in both divisions
- Operating result EUR -34.6 million (1-3/2012: EUR -16.2 million; 1-3/2011: EUR -29.9 million)
- Cost savings programme initiated
- Revised outlook for 2013
Revenue in Q1 2013

• Revenue down 3.2%* to EUR 431.3 million
• Revenue in Finland down 5.1%*
  – Largest decline in the Seppälä fashion chain
• International operations down 1.3%*
  – In comparable currencies down 2.5%*
  – St Petersburg department store outperforming other units
  – Growth continued in Lindex’s newest markets (Russia, eastern Central Europe)
• Revenue abroad 51.0% (50.2%) of the Group’s total revenue

* Excluding terminated franchising operations (Bestseller and Zara)
Revenue by market in Q1 2013

- Finland: 49.0%
- Sweden and Norway: 25.4%
- Russia: 18.1%
- Baltic countries and Central Europe: 7.5%
Quarterly revenue, Stockmann Group

EUR mill.

-4.2%

2011 2012 2013
Earnings in Q1 2013

- Relative gross margin 45.8% (48.0%)
  - Decline mainly due to price-driven campaigns to boost sales
  - Unfavourable sales mix in the Department Store Division due to weak sales of fashion
- Operating costs EUR 213.6 million (EUR 213.9 million)
  - Increase in Lindex’s costs, partly due to strengthened Swedish krona
  - Other units down on 2012
- Depreciation EUR 18.6 million (EUR 18.4 million)
- Operating result EUR -34.6 million (EUR -16.2 million)
  - Biggest decline in Finland, best performance in Russia
- Net financial expenses down, to EUR 6.0 million (EUR 8.7 million)
- Result for the quarter EUR -36.5 million (EUR -20.9 million), or EUR -0.51 per share (EUR -0.29)
Quarterly operating profit, Stockmann Group

EUR mill.

1-3  4-6  7-9  10-12

2011  2012  2013
## Key figures

<table>
<thead>
<tr>
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<th>1-3/2013</th>
<th>1-3/2012</th>
<th>1-12/2012</th>
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<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>EUR mill.</td>
<td>431.3</td>
<td>450.3</td>
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<tr>
<td><strong>Operating profit</strong></td>
<td>EUR mill.</td>
<td>-34.6</td>
<td>-16.2</td>
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<td><strong>Net financial costs</strong></td>
<td>EUR mill.</td>
<td>-6.0</td>
<td>-8.7</td>
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<td><strong>Earnings per share</strong></td>
<td>EUR mill.</td>
<td>-0.51</td>
<td>-0.29</td>
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<td><strong>Cash flow from operating activities</strong></td>
<td>EUR mill.</td>
<td>-111.3</td>
<td>-73.3</td>
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<td><strong>Capital expenditure</strong></td>
<td>EUR mill.</td>
<td>11.5</td>
<td>10.3</td>
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<tr>
<td><strong>Equity ratio</strong></td>
<td>%</td>
<td>37.7</td>
<td>38.5</td>
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<tr>
<td><strong>Gearing</strong></td>
<td>%</td>
<td>116.2</td>
<td>112.5</td>
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<tr>
<td><strong>ROCE</strong></td>
<td>%</td>
<td>4.0</td>
<td>4.8</td>
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<td><strong>Personnel, average</strong></td>
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<td>11 293</td>
<td>11 664</td>
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Cost savings programme 2013-2014

- Co-determination negotiations with personnel of possible temporary lay-offs in Finland for the Department Store Division and Group Administration
  - Savings target EUR 7 million by summer 2014
- Measures to reduce fixed operating costs in both divisions
  - Additional savings target over EUR 10 million in 2013
- Planning for structural changes across the organisation in the Department Store Division and in Group Administration
  - Plans to be specified in stages, starting from autumn 2013
- Synergies and increased cost-efficiency in the Fashion Chain Division according to the previously announced plan
Outlook for 2013

• The world economy expected to remain unstable in 2013
• Long period of low growth seems probable in Finland
• Affordable fashion market in Sweden expected to improve slightly towards the end of 2013, compared with poor development in 2011 and 2012
• Russian and Baltic markets likely to continue performing better than the Nordic markets
• Discontinuation of Bestseller (Russia) and Zara (Finland) franchising businesses will somewhat slow down revenue growth, but will improve operating profit in Russia
• Attention to improving cost efficiency particularly in Finland, where a cost savings programme has been initiated
• Capital expenditure estimated to amount to approximately EUR 60 million
• Stockmann expects the Group’s revenue to increase in 2013, excluding the terminated franchising operations
• Operating profit expected to not exceed the figure for 2012
Department Store Division

Maisa Romanainen
Executive Vice President
Director of Department Store Division
Q1 2013 in brief

- Challenging quarter especially in the Finnish department stores and Hobby Hall
- Strong development in Stockmann.com online store
- Weak market situation in Finland – fashion sales down by 10.2% (TMA index)
- Cold weather delayed the spring fashion sales in all markets
- Crazy Days in April – good sales result in all markets
- Cost savings programme initiated – main effect in Finland in 2013-2014
Revenue in Q1 2013

- Revenue EUR 270.2 million (EUR 280.5 million) – comparable revenue down by 2.1%
- Revenue in Finland EUR 181.5 million – down by 3.0%
  - Revenue decline in Tampere, Itäkeskus and Tapiola partly due to construction works
  - Revenue in Stockmann.com clearly up, Hobby Hall’s revenue down
- Revenue abroad EUR 88.7 million, comparable revenue on a par with Q1 2012
  - 32.8% (32.9%) of total revenue
- Revenue grew mainly in the St Petersburg department store
Quarterly revenue, Department Store Division

EUR mill.

-3.7%

2011 2012 2013
Operating profit in Q1 2013

- Operating result EUR -15.9 million (EUR -6.5 million)
- Operating costs down by EUR 0.6 million
- The small concept store in St Petersburg closed with non-recurring costs of EUR 1.5 million
- Gross margin 38.4% (40.4%)
  - Decline in fashion sales and several boosting campaigns had a negative effect on the gross margin
- Due to slow start of the year, stock level above 2012 and above the estimate particularly in Finland
Quarterly operating profit, Department Store Division

EUR mill.

2011  2012  2013

-20  -10   0   10   20   30   40   50

1-3  4-6  7-9  10-12

26.4.2013
On-going projects

- Investments in Q1 EUR 3.8 million (EUR 4.1 million)
- First implementation of Oracle ERP system in March in the Baltics
  - EUR 1.8 million spent on the project during the quarter
  - Project will be finalized in 2014
- Enlargement of the Tampere department store and construction of new premises for the Itis department store continued
- Stockmann terminated the Zara franchising operations in Finland as of 1 March 2013
**REVENUE GROWTH**  
Spring 2013 vs. spring 2012

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<tbody>
<tr>
<td>Finland</td>
<td>7%</td>
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<tr>
<td>Baltics</td>
<td>8%</td>
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<tr>
<td>Russia</td>
<td>16%</td>
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<tr>
<td>DSD TOTAL</td>
<td>10%</td>
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Outlook for 2013

• Market environment estimated to remain challenging in Finland: stock optimisation, careful planning of purchases and sales boosting activities key priorities to succeed in keeping up the sales volume and gross margin in H2
• Immediate cost savings programme initiated in Finland with further structural changes to be introduced in phases mainly during 2014
• Strong growth of e-commerce and Stockmann.com likely to continue – focus in optimising product selection and developing multichannel activities
Fashion Chain Division

Göran Bille
Director, Fashion Chain Division
CEO of Lindex
Lindex Q1 2013 in brief

- New customer reward program “More at Lindex” launched in Finland
- Contract for the Brand store in Stockholm signed
- Lindex Management changes:
  New Director of Design and Purchase – Ingvar Larsson
  New Country Manager Sweden – Elisabeth Peregi
  New Director of Finance and Expansion – Peter Andersson
  New Design Manager – Nina Starck
- Re-launch of the Generous collection
- Weak quarter with low sales development, cost savings programme initiated
Seppälä Q1 2013 in brief

- New marketing campaign in March with a new marketing agency – Karen Anne as the star of the campaign

- Seppälä Brand renewal project continues: visible changes already in marketing and collections

- Fashion Chain Division cooperation continues

- Revenue below 2012 and the target, operating profit down due to lower sales volume – cost savings on-going
Lindex revenue in Q1 2013

- Euro-denominated revenue down by 1.0% to EUR 136.9 million (EUR 138.2 million)
  - In local currencies total revenue down 3.5%
  - In local currencies comparable revenue down 5.6%

- In local currencies and comparable stores declined revenue in all product areas

- Main reasons for poor sales: the Easter effect, cold weather, and the successful Holly & White campaign with Gwyneth Paltrow in Q1 2012

- Sales increase in Baltic countries, Russia and Central Europe
Seppälä revenue in Q1 2013

- Revenue down by 22% to EUR 24.5 million (EUR 31.3 million)
  - Finland decreased 21%, Russia 27%
  - Baltic countries better but still with decreasing revenue; smallest decline in Estonia (-11%)

- Declined revenue in all product areas

- Fashion market worse than in 2012, customers looking for low prices and spending less

- Delayed spring affected sales in northern Europe; spring merchandise not selling as well as in the previous year
Quarterly revenue, Fashion Chain Division

EUR mill.

-4.9%
Lindex operating profit in Q1 2013

- Operating profit EUR -10.4 million (EUR -2.5 million)

- Gross margin 59.3% (61.9%)
  - Lower than in 2012 mainly due to price setting in a weak market environment

- Operating profit down mainly due to the low sales level

- Increased costs due to expansion, inflation, and the strong Swedish krona

- Stock level slightly higher than in 2012 as an effect of lower sales
Seppälä operating profit in Q1 2013

- Operating profit EUR -6.9 million (EUR -4.6 million)

- Gross margin 53.0% (54.2%)
  - Affected by winter sale and not having enough volume in the sale of novelties
  - In March gross margin-% better than in 2012, as selling of novelties picked up after winter sale

- Costs below 2012 and below the target
  - Tight cost control in place and less stores than in the previous year

- Stock level lower than in 2012
  - In particular sale stock lower – targeting to better stock turnover and flow of goods
Quarterly operating profit, Fashion Chain Division

![Graph showing quarterly operating profit, Fashion Chain Division.](image)

EUR mill.

- [2011](#)
- [2012](#)
- [2013](#)

26.4.2013
International expansion

- Lindex: 3 stores opened in Q1
  - Czech Republic, Poland and Serbia
  - No store closures in Q1
- Seppälä: 5 stores closed in Q1
  - Finland 2, Russia 3
  - No store openings in Q1

- In total 472 Lindex stores, of which 31 franchising stores
- In total 215 Seppälä stores

- Target for full year 2013
  - Lindex 490 stores (+21)
  - Seppälä 210 stores (-10)
Penélope Cruz is Lindex’s spring model

http://www.youtube.com/lindex
Outlook for 2013 – Lindex key projects

- Major focus on e-commerce with improved site, mobile function, new warehouse and focus on conversion

- New designer collaborations in autumn 2013

- Roll-out of Lindex new customer reward program “More at Lindex” in Sweden

- New service & sales follow-up tool

- Uncertain market environment in most markets

- Key goal is to focus on sales in all markets – in addition to sales growth, important factors are cost control and carefully planned purchasing
Sophie Ellis Bextor stars for Seppälä

- Famous singer/songwriter Sophie Ellis Bextor as a new face of Seppälä’s April and May campaigns → TV, outdoor, fashion magazines
Outlook for 2013 – Seppälä Brand

• April collection getting good feedback in social media in Seppälä’s target group
  ➔ Lookbook at Seppälä.fi boosts sales and the new brand vision

• Brand renewal project continues
  – New store concept in autumn 2013
  – Working on Autumn 2013 collection ➔ big difference in trend level compared with 2012
  – New marketing campaign together with We Are Group in autumn 2013