Stockmann Group Q3/2008

- Global financial crisis increased uncertainty
- Sales were up 45%
  - consolidation of Lindex sales
  - good development of Seppälä
  - strong comparable growth in Russia (Smolenskaya store closed)
  - department store sales in Finland disappointment, especially in September
  - price erosion of home electronics ate up Hobby Hall’s sales
- Operating profit grew to EUR 34.6 million
- Only Seppälä was able to increase its operating profit in Q3/2008
Stockmann Group 1–9/2008

- Sales EUR 1 613 million (+48%)
- Growth 7% in Finland and 157% abroad
- 52.8% of sales came from Finland and 47.2% from abroad
- Operating profit EUR 63.5 million (EUR 54.3 million 2007)
- Gross margin of the Group grew to 47.8% (41.4%)
  - consolidation of Lindex
  - improved relative gross margin of Lindex, Seppälä and Hobby Hall
  - Department Store Division’s relative gross margin on a par with last year
- Net financial cost grew by EUR 35.9 million based on Lindex acquisition
- Reservation of closing down the Smolenskaya store in Moscow declined to EUR 10.7 million
- Profit in 1–9 /2008 EUR 19.2 million (EUR 39.8 million in 2007)
Sales, Stockmann Group

EUR mill.

+34%
+66%
+45%

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

2006 2007 2008
Operating profit, Stockmann Group

Q1/2008 operating profit is burdened by Lindex’s EUR 4.5 mill. IFRS related expenses. Other operating income
Provision for closing down the Smolenskaya dpt store. In Q2 EUR 14 million of the provision charged, in Q3 EUR 3.3 million of the provision discharged.
Profit before taxes, Stockmann Group

Q1/2008 operating profit is burdened by Lindex’s EUR 4.5 mill. IFRS related expenses.

Other operating income

Provision for closing down the Smolenskaya dpt store. In Q2 EUR 14 million of the provision charged, in Q3 EUR 3.3 million of the provision discharged.
Some key figures

- Equity ratio 36.2%
- Net gearing now 130.7%
- ROCE rolling 12 months 12.2%
- Investments EUR 126 million
Outlook for Q4/2008

1. Uncertainty strongly increased in the world economy and in the financial & equity markets
2. Slowdown in the growth of consumer demand in the Nordic & Baltic markets
3. Strong growth of Russia’s consumer demand has continued
4. Slowdown in the growth of consumer demand will continue in the Nordic & Baltic markets
5. In Russia growth will be stronger than in other Stockmann’s market areas
Outlook for Q4/2008

- Lindex is a part of Stockmann for the whole year – strong sales growth
- Stockmann Group’s sales are estimated to be approx. EUR 2.3 billion
- Uncertainty in the international financial market makes it difficult to estimate the profit development
- Operating profit in Q4 will be higher than last year but smaller than anticipated earlier
- Full-year operating profit will improve on 2007
- Financial expenses following the Lindex acquisition will increase as expected
- General economic trend in the Nordic & Baltic markets will slow down consumer demand
- It is therefore likely that full-year profit will not reach last year’s level
Why we believe in Stockmann’s good development in Russia despite of financial turmoil

1. Financial crisis has also hit the Russian market and we will see big structural changes

2. A lot of retail investments, which have been based on high debt ratio, have been cancelled or postponed

3. Some local operators will probably face problems in financing their everyday business

4. Companies who can be trusted by their suppliers, will do well in the competition

5. All Stockmann’s retail concepts in Russia are targeted on the strengthening middle class

6. Ordinary people have very little bank loans or investments in shares

7. Russian consumers have very high spending ratio on their disposable income
Why we believe in Stockmann’s good development in Russia despite of financial turmoil

• The Russian state is in a totally different state than during the crisis 1998
• After nationalistic bullying, the administration has woken up to face the financial crisis and is again appreciating foreign investors
• As a consequence of this, the business environment will probably turn better
• On the other hand, companies who are not yet in the market will probably postpone their investments
Department Store Division

Heikki Väänänen
Executive Vice President
Sales, Department Store Division

EUR mill.

-2%  +17%  -4%

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

2006  2007  2008
Sales 1–9/2008, Department Store Division

- Sales up 4%, in Finland 2% and abroad 8%
- The Smolenskaya department store has been closed since May 2008
- Sales development especially good in Russia
Crazy Days

- New comparable sales record achieved, over EUR 64 million in 12 stores

- Sales in Finland 5% below last year, due to decline in sales of home electronics (digiboom in 2007 and price erosion)

- Small growth in the Baltic states

- Comparable growth in Russia 52%, sales in three stores in Moscow larger than in four stores autumn 2007
Crazy Days

Sales of Smolenskaya dpt store A/07

<table>
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<th>Year/Season</th>
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<th>A/04</th>
<th>S/05</th>
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EUR mill.
Operating profit, Department Store Division

In Q2 EUR 14 million of the provision charged, in Q3 EUR 3.3 million of the provision discharged.

Other operating income

Provision for closing down the Smolenskaya dpt store.
Result 1–9/2008, Department Store Division

- Operating profit EUR 19 million (EUR 44.9 million)
  - operating profit for the previous year includes EUR 9.7 million non-recurring capital gains
  - closure of the Smolenskaya department store burdens the result by EUR 10.7 million
- Relative gross margin on a par with the previous year
Laying of the cornerstone on October 17, 2008, Nevsky Centre, St Petersburg
Metropolis department store in Moscow

Opens in December 2008, area 8 000 m²
Department Store Division’s large investment projects

**Helsinki**
- projects proceeding in shedule, the underground parking area completed at the beginning of summer 2009

**St Petersburg**
- the cornerstone was laid on October 17
- the shopping centre will be completed in spring 2010

**Ekaterinburg**
- the lessor has announced that the building will be completed at the turn of the year 2009/2010
- Stockmann has leased 8 000 m² of this shopping centre

**Rostokino/Moscow**
- the lessor has announced that the building will be completed in autumn 2009
- Stockmann has leased a space of about 10 000 m²

**Vilnius**
- the lessor will file an application for construction permission this year
- the shopping centre is planned to be completed at the end of 2010
Sales, Lindex

EUR mill.

<table>
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<th>Quarter</th>
<th>2007 Pro forma</th>
<th>2008</th>
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<td>7-9</td>
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<tr>
<td>10-12</td>
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</table>
Sales development in Q3

• Lindex sales excl. currency effect were on a par with last year

• In Q3, Lindex sales (excl. Germany) per business area developed as follows:
  - Ladies’ wear and Lingerie dropped in sales, due to decline in market
  - Children’s wear increased in sales
  - Cosmetics increased in sales

• Development in different markets:
  - Sweden & Finland dropped in sales
  - Norway was on a par & the Baltics showed sales increase
  - Very good start in Russia

• Stock
  - Inventory level decreased by approx. 10% from EUR 76.8 million to EUR 69.0 million
Q1/2008 operating profit is burdened by EUR 4.5 mill. IFRS related expenses
Expansion – new Lindex store developments in 2008

New Lindex stores, total:
2008 - approximately 21 new stores

* Opened or confirmed stores
Major Events in 2008

- Opening Russia
- Opening Saudi Arabia, franchising
- Norway, refurbishment
- Integration with Stockmann
- Knitting Revolution – strategic marketing campaign
- Tax case regarding German losses is appealed
Seppälä

Terhi Okkonen
Managing Director
Sales Q3/2008, Seppälä

- Q3 Sales EUR 50.1 million, growth 10%
  - growth in Finland 5% and abroad 22%
  - good sales development in all business areas, particularly in women’s and children’s wear
  - very good comparable growth in Russia
Operating profit Q3/2008, Seppälä

- Q3 operating profit was EUR 5.9 million (EUR 5.5 million)
  - growth: + 7% = + EUR 0.4 million
  - 14.3% of turnover
- Relative gross margin improved on the previous year
Sales 1–9/2008, Seppälä

• Sales EUR 131.1 million, growth 6%
• Abroad
  - sales were up 24%
  - sales in Russia grew particularly well
    - new stores have started as planned
    - good comparable growth
  - share of sales abroad rose to 34% (29%)
• Finland
  - sales were down 1% on the previous year
  - Q3 sales grew 5% on the previous year
Sales, Seppälä

EUR mill.

- 1-3: +3%
- 4-6: +4%
- 7-9: +10%
- 10-12: 

Operating profit 1–9/2008, Seppälä

• Good operating profit EUR 10.4 million (EUR 12.1 million)
• Relative gross margin improved
• Fixed costs and depreciation grew faster than sales because of investments in new stores (10 stores) and refurbishing existing stores (14 stores)
• 10 new stores have been opened
  - Russia 5 stores
  - Estonia 2 stores
  - Lithuania 1 store
  - Finland 2 stores
Operating profit, Seppälä

EUR mill.

-1  1  3  5  7  9

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

2006  2007  2008
Full-year outlook, Seppälä

• Profitable growth will continue
• 11 new stores planned to be opened during the rest of the year
• In Russia, four new stores will be opened
• Three new stores each in Finland and the Baltic countries
• In Finland a few removals and store concept updates
• The first store in Ukraine opened on October 26, 2008
Good possibilities in current market situation
Seppälä’s opportunities and strengths

• Getting new customers from medium price fashion brands
  - price image of Seppälä as an inexpensive fashion store is a strength
  - collection developed to attract a yet broader female target group
• Management of the product mix
  - in the Baltics the share of inexpensive volume products to be increased
• Increased share of sales coming from Russia and Ukraine
  - buying power of the middle class increasing strongly
By the end of 2008, Seppälä will have a total of 205 stores in over a hundred locations in six countries:

- Finland: 132 stores
- Russia: 36 stores
- Estonia: 18 stores
- Latvia: 9 stores
- Lithuania: 9 stores
- Ukraine: 1 store

Detailed locations:
- St Petersburg: 13 stores
- Moscow: 7 stores
- Latvia: 9 stores
- Lithuania: 9 stores
- Estonia: 18 stores
- Finland: 132 stores
- Russia: 36 stores
- Estonia: 18 stores
- Latvia: 9 stores
- Lithuania: 9 stores
- Ukraine: 1 store
- St Petersburg: 13 stores
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- Latvia: 9 stores
- Estonia: 18 stores
- Finland: 132 stores
- Russia: 36 stores
- Estonia: 18 stores
- Latvia: 9 stores
- Lithuania: 9 stores
- Ukraine: 1 store
- Kiev: 1 store
- Kharkov: 1 store
- Voronezh: 1 store
- Rostov-on-Don: 1 store
- Adygea: 1 store
- Kolomna: 1 store
- Novosibirsk: 1 store
- Voronezh: 1 store
- Samara: 2 stores
- Novosibirsk: 1 store
- Volgograd: 2 stores
- Volzhskiy: 1 store
- Ekaterinburg: 2 stores
- Yaroslavl: 1 store
- Nizhny Novgorod: 2 stores
- Kazan: 2 stores
- Kolomna: 1 store
- Voronezh: 1 store
- Rostov-on-Don: 1 store
- Adygea: 1 store
New collections – Seppälä by

- Total sales Q3 EUR 41.6 million (-9%)
  - decrease in Finland 10% and abroad 6%
- Total sales 1–9/2008 EUR 137.3 million (-7%)
  - decrease in Finland 6% and abroad 11%
- Price erosion of home electronics has strong effect on sales
- The sales figures of electronics were affected by a weaker sales of digital TV sets and set-top boxes compared to the digitalization boom in 2007
- Share of sales abroad 18%
Sales, Hobby Hall

EUR mill.

-15%  +5%  -9%

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

2006  2007  2008
Share of online sales of distance retail still growing (Finland and Estonia)

- 1–9/2008 online sales 62% (59% 1–9/2007)
- Q3 online sales 69% of distance retailing in Finland (53% Q3/2007)
- Q3 online sales 42% of distance retailing in Estonia (37% Q3/2007)
Share of online sales of distance retailing

Finland and Estonia

Mail order sales
Online sales
Operating profit Q3/2008 and 1–9/2008, Hobby Hall

Q3
- Operating profit EUR 0.7 million (EUR 2.5 million)

1–9/2008
- Operating result EUR -0.8 million (EUR 3.0 million)
- Lower sales and start-up costs for operations in Russia weakened the operating result
- Inflation has increased fixed costs, especially salaries and wages abroad
- Positive growth in relative gross margin compared to 2007
Operating profit, Hobby Hall

EUR mill.

-2 -1 0 1 2 3 4

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

2006 2007 2008

Other operating income
Full-year outlook, Hobby Hall

• Focus on increase of sales
  
  Hobby Hall’s Christmas has been opened in all sales channels

• Many development projects have been completed and are now contributing to improve customer service and cost-effectiveness
  
  - new telephone system
  - upgraded cash register system
  - development of combined packaging of the products
  - the new digital marketing work process in use in November
  - new outfit of the webstore and new ways to present the products already in use and are supporting our customers’ buying decisions

• New technical webstore platform will be taken into use 2009

• Continued cost control
  
  - cost effective utilization of CRM-system continues
45 000 visited Hobby Hall’s virtual fashion show in September