Per Thelin appointed Stockmann’s new CEO as of 10 November 2014

- Born 1958, Swedish citizen
- Currently consultant and senior advisor (clients e.g. Atria, Electrolux Retail)
- Previous work experience:
  - President & CEO, Inflight Service Group 2010-2011
  - President & CEO, Venue Retail Group AB 2006-2009
  - CEO, MT Owner AB 2005-2006
  - President & CEO, Biltema 2003-2004
- 40 years experience in retail, starting at Foodmarket AB in 1970s
Stockmann Group’s new strategy

• On-going process of reviewing and revising Stockmann’s strategy
• New reporting structure to be introduced as of 1 January 2015

• **Stockmann Retail** will focus on Stockmann department and online stores
  - A new owner is searched for Hobby Hall

• **Real Estate** aims to maximize the value of the real estate holdings
  - Focus on the Group’s properties in Helsinki, St Petersburg, Tallinn, and Riga

• **Fashion Chains’** focus is increasingly on Lindex
  - **Lindex**’s goal is to expand successfully on international markets and to support this strategy, an operational Board of Directors was elected in October
  - **Seppälä**’s operations are planned to be downsized significantly in Finland and in Estonia, and to be close down in Latvia, Lithuania, and Russia
Leadership

- New appointments to Stockmann’s management, effective 1 November 2014:
  
  - **Jouko Pitkänen** – Director, Stockmann Retail
  
  - **Björn Teir** – Director, Real Estate
  
  - **Tove Westermarck** – Development Director
    - Responsible for the implementation of the new strategy in Stockmann Retail and Real Estate
  
  - **Lauri Veijalainen** – Deputy Director, Real Estate
    - Continues also as Development Director of the Group’s international operations
Plan to downsize Seppälä’s operations

- Focus on smaller-scale operations in Finland and Estonia due to unprofitable business
  - Downsizing plan could lead to closure of at least 50 stores in Finland and personnel reduction of up to 380 people
  - Planning withdrawal from Latvia and Lithuania during 2015

Seppälä’s operating result 2004–2014

Seppälä today
- 182 stores (Finland 130, Baltics 36, Russia 16*)
- Personnel approx. 1100 (Finland 800, Baltics 200, Russia 100)
- Revenue 117 mEUR in 2013

* Closing in Russia during 2014 and 2015, as announced on 2 October 2014
Stockmann Group
Retail market in brief

• Finland
  – Extremely difficult market situation continued: low consumer confidence, declining purchasing power, and drop in demand for non-food products
  – Fashion market in Finland down 10% in September; decline in January-September 6% (TMA)
  – Structural changes in competition, online business, consumer behaviour

• Russia
  – Continuously weak economy and all-time-low Russian rouble in October, with a negative impact on purchasing power
  – Food import ban into Russia was set in force in August

• Baltic countries
  – Stable market development – in Latvia consumer confidence boosted by the transition into euro in the beginning of the year

• Sweden
  – Fashion market down 3% in September, partly due to warm weather
  – Year-to-date performance up 0.6% on 2013 (Stilindex)
Stockmann Group’s revenue in Q3 2014

- Revenue down 10.9%, to EUR 405.0 million (EUR 454.4 million), or down 8.1% at comparable exchange rates
- Revenue in Finland down 12.6%
- International operations down 9.4%, or down 4.7% at comparable exchange rates
  - Revenue was down on all markets
  - The Russian rouble, the Swedish krona and the Norwegian krone continued weaker than in 2013
Quarterly revenue, Stockmann Group

EUR mill.

-8.3%
-7.6%*
-8.9%
-10.9%

* Excluding terminated franchising operations
Stockmann Group’s operating profit in Q3 2014

- Gross margin 49.6% (49.5%)
  - Increase in Lindex’s margin
- Operating costs EUR 198.7 million (EUR 195.7 million)
  - Marketing costs up in both divisions
  - In the Q3 2013 operating costs were down due to non-recurring cost savings; savings from structural changes mainly visible from 2015 onwards
- Depreciation EUR 17.2 million (EUR 18.4 million)
- Operating profit EUR -14.8 million (EUR 10.7 million)
  - Operating profit declined in both divisions and in particular in Finland
- Result for the quarter EUR -13.6 million (EUR 28.9 million, or EUR 3.8 million excluding Lindex tax refund of EUR 25.1 million)
Quarterly operating profit, Stockmann Group

EUR mill.

2012 2013 2014
## Key figures

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<tr>
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<th>1–9/2014</th>
<th>1–9/2013</th>
<th>1-12/2013</th>
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<tbody>
<tr>
<td><strong>Revenue</strong> EUR mill.</td>
<td>1 295.9</td>
<td>1 429.3</td>
<td>2 037.1</td>
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<td><strong>Operating profit</strong> EUR mill.</td>
<td>-55.1</td>
<td>6.1</td>
<td>54.4</td>
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<td><strong>Net financial costs</strong> EUR mill.</td>
<td>17.4</td>
<td>18.6</td>
<td>27.6</td>
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<tr>
<td><strong>Earnings per share</strong> EUR mill.</td>
<td>-0.86</td>
<td>0.16*</td>
<td>0.67**</td>
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<tr>
<td><strong>Cash flow from operating activities</strong> EUR mill.</td>
<td>-87.3</td>
<td>-57.8</td>
<td>125.4</td>
</tr>
<tr>
<td><strong>Inventories</strong> EUR mill.</td>
<td>334.4</td>
<td>349.2</td>
<td>285.8</td>
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<td><strong>Capital expenditure</strong> EUR mill.</td>
<td>42.7</td>
<td>43.7</td>
<td>56.8</td>
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<tr>
<td><strong>Equity ratio</strong> %</td>
<td>39.0</td>
<td>39.9</td>
<td>43.8</td>
</tr>
<tr>
<td><strong>Gearing</strong> %</td>
<td>114.3</td>
<td>111.5</td>
<td>87.3</td>
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<td><strong>ROCE</strong> %</td>
<td>-0.3</td>
<td>3.6</td>
<td>3.4</td>
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* Includes Lindex tax refund of EUR 0.35 per share
** Includes Lindex tax refund of EUR 0.37 per share
Outlook for 2014

- Russian rouble has weakened considerably and economic growth in Russia estimated to remain at a low level; very uncertain outlook to continue
- Uncertainty will continue in the retail market in Finland: weak demand for non-food products and low purchasing power
- The affordable fashion market in Sweden is expected to improve slightly in 2014
- The retail market in the Baltic countries is expected to remain relatively stable
- Target in Stockmann’s on-going strategy process is to improve the Group’s long-term competitiveness and profitability
- Capital expenditure estimated to amount to approximately EUR 60 million
- **Revised guidance** (14 October 2014):
  Stockmann estimates that the Group’s euro-denominated revenue in 2014 will decline on 2013. The Group’s operating result excluding non-recurring items is expected to be negative in 2014
Department Store Division
Revenue in Q3 2014

- Revenue down 12.7%, to EUR 214.0 million (EUR 245.2 million)
  - Very weak September in all markets
- Revenue in Finland down 13.9%, to EUR 143.5 million
- International operations down 10.3%, to EUR 70.5 million
  - Revenue in the Baltic department stores developing well
  - Weak Russian rouble had a negative impact on revenue, but also revenue in rouble was lower than expected – weak economy affects purchasing power
  - Early start of summer sale in June had a negative effect on revenue in July
Quarterly revenue, Department Store Division

-10.5%  
-9.5%*  
-9.7%  
-12.7%  

* Excluding terminated franchising operations
Operating profit in Q3 2014

- Gross margin 40.0% (40.0%)
  - Price increases were able to offset the weakened Russian rouble
- Operating costs up by EUR 1.3 million
  - In Q3 2013, costs down due to temporary layoffs and non-recurring cost savings; structural changes will bring cost savings mainly from 2015 onwards
  - Marketing costs up in the quarter
- Operating result EUR -16.8 million, compared to EUR -3.6 million in Q3 2013
  - Particularly weak September due to decline in revenue
- Stock level at the end of September below the 2013 level
Quarterly operating profit, Department Store Division

EUR mill.

2012 2013 2014

1-3 4-6 7-9 10-12
Structural changes and cost efficiency

• Store operations in Finland
  – New operating model for department stores and customer contact center taken into use as of 1 September
  – Sales personnel in the stores will focus on customer service
  – Number of supervisors reduced, administration and support centralised, most work hours focused around the busiest hours of trading
  – Comparable annual cost savings EUR 10 million, from 2015 onwards

• Support functions
  – Codetermination negotiations concluded; 148 jobs reduced, of which 61 through redundancies and 60 by discontinuing temporary employments
  – Annual cost savings approx. EUR 5 million, from 2015 onwards

• Stockmann Beauty cosmetic stores
  – Planning to close down Stockmann Beauty stores (11) during 2015

• Logistics and new distribution centre
  – Targeting an annual cost saving of approx. EUR 6.5 million, excluding depreciation, from 2018 onwards
On-going projects

- Cosmetics introduced in the online store on 28 October
- Renewed and enlarged Tampere department store to open in November
- Renewed ladies’ shoe department in Helsinki opened in full in September
- Oracle ERP system has replaced all old systems; project finalisation by 2015
- Building works of the new distribution centre for Finland and Baltics on-going; target to take the centre in use in 2016
- Planning for the Tapiola store continuing, scheduled to open in 2017
Crazy Days in October 2014

- Revenue on a par with the previous autumn’s campaign at comparable currency rates
- Good sales result after the weak sales trend during early autumn
- In total over 2 million buying customers in 4 countries

**Growth in Stockmann.com**

- Revenue in Stockmann.com online store was up by 33 per cent
- Over 1.2 million visitors in the online store from all around Finland

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<th>Autumn 2014 vs. 2013</th>
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<tr>
<td>Finland</td>
<td>- 2%</td>
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<tr>
<td>Baltics</td>
<td>+5%</td>
</tr>
<tr>
<td>Russia</td>
<td>+4% (RUB)</td>
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<td></td>
<td>-10% (EUR)</td>
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**TOTAL**

- +0% (comparable currencies)
- -4% (EUR)
Preview on Q4 2014

- Focus on cosmetics in November: online launch and Beauty Days
- Several supply chain initiatives to ensure better product availability and on-time deliveries
- Strong Christmas campaign in all channels and in all product areas with emphasis on good customer service
Q3 2014 in brief

LINDEX
• Successful 60 years celebration
• Focus on lingerie has given good results
• New Brand store opened in Gothenburg
• Successful franchising opening in Iceland, the third store for the market
• New Board of Directors elected

SEPPÄLÄ
• Campaigns created good sales, but total revenue continued to decline
• Charity campaign with Plan gained donations from 22,000 customers
• Closing down unprofitable stores continued in Q3
• Downsizing plan announced 29 October
Revenue in Q3 2014

• Fashion Chain Division’s revenue down 8.8%

• Lindex’s revenue down 6.8%, to EUR 166.0 million (EUR 178.0 million)
  - In local currencies revenue down 1.4%
  - Comparable revenue down 2.7%
  - Continuous increase in lingerie, while women’s and kids’ wear decreased
  - Lithuania and Central Europe increased their comparable sales, but mature markets decreased

• Seppälä’s revenue down 20.6%, to EUR 24.9 million (EUR 31.4 million)
  - Comparable revenue down 8.5%
  - 30 stores closed during the past 12 months
  - Revenue in Finland EUR 17.5 million, other countries EUR 7.4 million
Quarterly revenue, Fashion Chain Division

EUR mill.

-4.7%  -7.8%  -8.8%

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

2012  2013  2014

29.10.2014
Operating profit in Q3 2014

- Fashion Chain Division’s operating profit EUR 4.2 million (EUR 16.1 million)
- Lindex’s operating profit EUR 10.0 million (EUR 18.2 million)
  - Gross margin 62.0% (61.6%), due to improved start margin
  - Decline in operating profit partly due to currency effects;
    comparable costs up on 2013 due to non-recurring marketing costs (60 year celebration and Jean Paul Gaultier campaign)
- Seppälä’s operating result EUR -5.8 million (EUR -2.1 million)
  - Gross margin 50.4% (54.8%), decline driven by big summer sale and by store closures in Russia
  - Margin improved toward the end of quarter, in September 55.7% which is better than in the previous year
  - Cost level down on the previous year; no major one-time costs in Russia due to the closures
- Stock levels lower than in 2013 in both fashion chains
Quarterly operating profit, Fashion Chain Division

EUR mill.

2012  2013  2014

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

- Lindex: 4 stores opened and 2 stores closed in Q3
  - E.g. new Brand store in Gothenburg and 3rd franchising store in Iceland
- Seppälä: 10 stores closed in Q3, 8 of them in Russia
- Store network at 30 September 2014:
  - Lindex 488 stores in 16 countries, of which 35 franchising stores
  - Seppälä 180 stores in 5 countries
- Lindex targets to open over 10 stores (net), including franchising, in 2014
- Seppälä will close all its remaining 16 stores in Russia during 2014 and 2015
- In spring 2015, Lindex will open its first store in the UK, in the Westfield Stratford City shopping centre in London
New Board of Directors for Lindex

- To support Lindex’s strategy, the extraordinary shareholders’ meeting elected an operational Board of Directors for AB Lindex in October.
- New external Board members will bring extensive experience in the fashion and retail industries and international expansion.

Employee representatives: Caroline Kull Magnusson and Ann-Britt Neckvall (deputy Clary Erenmalm)
Preview on Q4 2014

- Sales expectations for Sweden and Norway slightly positive, but market in Finland and Russia to continue challenging
- Seppälä continues to close stores in Russia; codetermination negotiations regarding downsizing will start in Finland
- Well-received Lindex / Jean Paul Gaultier design collaboration
- Christmas campaigns important in both fashion chains
- Lindex projects: Reuse, recycling project in 50 stores in Sweden and a new partnership with Wateraid