Lindex and the Stockmann Group’s Fashion Chain Division

Göran Bille
CEO, Lindex
15 June 2012
Background for the Fashion Chain Division

• There are many similarities between Seppälä and Lindex.

• It is more likely to find and gain economies of scale with closer cooperation between Seppälä and Lindex, instead of finding the same for all divisions in the Stockmann Group.

• It is therefore a good idea to divide the Stockmann Group into two divisions; DSD and Fashion Chain Division (Seppälä and Lindex).

• Stockmann Group's new structure will bring more clarity for the Group’s two types of retail business: department stores and fashion stores.
Stockmann Group’s new structure

Stockmann Group
CEO Hannu Penttilä

Corporate Management and Administration

Fashion Chain Division
Director Göran Bille

- LINDEX
- Seppälä

CEO
Göran Bille

Department Store Division
Director Maisa Romanainen

- STOCKMANN
- HOBBY HALL
- AKATEMINEN KIRJAKAUPPA
- HU

CEO
Nina Laine-Haaja
Two strong business divisions

<table>
<thead>
<tr>
<th>Department Store Division</th>
<th>Share of revenue</th>
<th>Share of EBIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>16 department stores and 35 other stores in 4 countries; 3 distance retail stores</td>
<td>62% in 2011</td>
<td>45% in 2011</td>
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<td></td>
<td>EUR 1 236.9 million</td>
<td>EUR 35.2 million</td>
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<table>
<thead>
<tr>
<th>Fashion Chain Division</th>
<th>Share of revenue</th>
<th>Share of EBIT</th>
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<tbody>
<tr>
<td>678 stores in 15 countries (Lindex 451, Seppälä 227); 2 online stores</td>
<td>38% in 2011</td>
<td>55% in 2011</td>
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<td></td>
<td>EUR 767.9 million</td>
<td>EUR 42.6 million</td>
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Future goals

• Both the Lindex and Seppälä brands will be further developed according to their unique brand identities while focusing on their core customer groups.

• Both fashion chains aim for a significant sales growth in the future. The new structure will accelerate growth, strengthen operations and provide possibilities for further expansion.

• Shared resources between Lindex and Seppälä will accelerate growth and enable more cost efficient operations – benefits from economies of scale.
What will change – what will not change

What will remain

• Lindex and Seppälä will continue as separate legal entities. Nina Laine-Haaja continues as the CEO of Seppälä and Göran Bille of Lindex.
• Both brands will be further developed according to their unique brand identities.
• Both fashion chains seek growth and continue international expansion.

What will change

• Sharing best practices between Lindex and Seppälä.
• Deeper co-operation in support functions and systems (ERP, Financial systems etc.) and more cost-efficient operations.
• Seppälä’s CEO Nina Laine-Haaja will report to Director, Fashion Chain Division, Göran Bille.
• New financial reporting structure from the June 2012 revenue release and the Q2 2012 interim report onwards.
Lindex in brief
Lindex – A world-class fashion experience

• Lindex is one of the leading fashion chains in Europe, with more than 450 stores in 14 countries and online store in 28 European countries (EU and Norway).

• Lindex business idea is to offer inspiring affordable fashion to fashion-conscious women.

• Lindex was founded in Alingsås, Sweden in 1954 and it has been part of the Stockmann Group since December 2007.
Lindex fashion

- Product range covers a variety of fashion concepts within women’s and children’s wear, lingerie and cosmetics.

- The selection is characterized by well-considered details, the latest fashion trends and a fast turnover of new products.

- Lindex concepts consist of products with a high sense of fashion as well as timeless favourites.
Lindex journey from a clothing company to a fashion company

Brand identity influences everything:
- Location
- Marketing
- Buying
- IT
- Logistics
Store network today – 451 stores in total

- 451 stores at the end of March 2012
  - Sweden 209
  - Norway 96
  - Finland 55
  - Baltic countries 24
  - Russia 18
  - Central Europe (Czech Republic, Slovakia, Poland) 22
  - Franchise 27

- 7 store openings and 2 closures during Q1 2012

- Online store operating in 28 countries (EU and Norway)
Future expansion

Expansion in the Central and East Europe, with Russia, Czech Republic, Poland, and Slovakia in focus.

Approx. 20 new own stores in 2012 (includes Bestseller stores which will be converted into Lindex stores in Russia) and franchise stores
Franchise

Lindex has since 2008 operated franchise business in the Middle East and in 2010 expanded its franchising into the Balkan. In November 2011 Lindex opened its first franchise store in Reykjavik, Iceland.

Lindex is now present in Saudi Arabia, United Arab Emirates, Bosnia and Herzegovina, and Iceland with 27 franchise stores.
Lindex in Q1 2012
and recent development
Revenue in Q1 2012

• Successful launch of the spring collection and campaign with the talented actor Gwyneth Paltrow

• Euro-denominated revenue increased by 12.1% to EUR 138.2 million (EUR 123.3 million)
  – In local currencies up 10.2%
  – In comparable stores up 7.8%

• Increased sales in all business areas

• Revenue growth strongest in the new markets (Central Europe and Russia)

• Strengthened market shares in all main markets
Operating profit in Q1 2012

- Operating result up by EUR 5.3 million to EUR -2.5 million (EUR -7.9 million)
- Gross margin at the previous year’s level, at 61.9% (62.1%)
- Stock level higher than in 2011 when entering Q1; sold out well but at higher markdowns
- Effect of the cost cutting programme of 2011 continued to improve the ratio between revenue and costs
Revenue in May 2012

- Lindex has improved its sales and market share thanks to strong collections and successful campaigns
- Revenue up 9.3% in May 2012
- In Sweden the total market was down (Stilindex for clothes in May: -0.8%; January-May: -2.7%), whereas Lindex modestly improved its sales
- In Norway and Finland Lindex is clearly ahead of the general market development
Exciting design collaboration between Lindex and Italian fashion house Missoni

- Lindex and Missoni cooperate to support breast cancer research
- Unique collection of 70 fashion items
- Collection launch on 25 September 2012
- 10 per cent of the sales to fight against breast cancer
- Sales area: Nordic countries, Central Europe and lindex.com online store
Stockmann Group’s outlook for the rest of 2012

• Challenging to assess the outlook, especially long-term retail market, due to unstable world economy and the unresolved European debt crisis
• Market sentiment currently more positive than earlier this year
• Market in Russia likely to continue to perform better than in the Nordic countries; growth in the Baltic countries expected to continue
  – High uncertainty and low consumer confidence may affect consumers’ willingness to purchase in all markets
• Indications of improving affordable fashion market in 2012
• Discontinuation of Bestseller franchising business by the end of 2012 to improve operating profit from 2013 onwards
  – Targeting a positive full-year operating profit, excluding Bestseller operations, in Russia in 2012
• Capital expenditure clearly below depreciation, approx. EUR 50 million
• Stockmann Group’s revenue and operating profit expected to be above the figures for 2011, provided that market sentiment does not significantly worsen
Thank you