



STOCKMANN

Financial Statements 2014

13 February 2015



Stockmann's new strategy

Retail market is undergoing a radical change: changing customer demands, weak market conditions, increased competition, new technology solutions and higher input costs

Stockmann needs to change in order to be competitive

- Strategy revision started in summer 2014
- New strategic direction published in December 2014
- Several measures already taken in line with the new direction
- Efficiency programme has been started

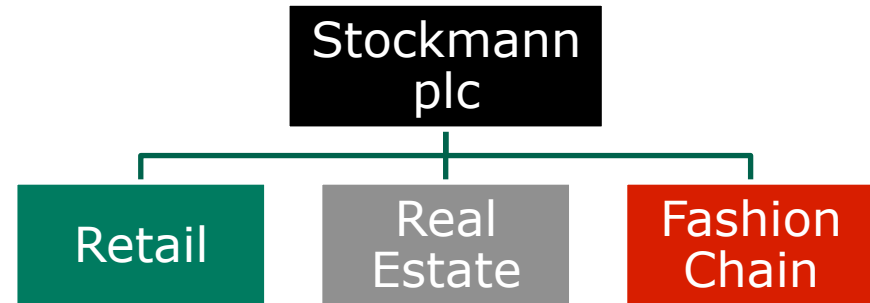




New operating structure as of 1 January 2015

Three divisions:

- **Stockmann Retail:** Stockmann department and online stores
- **Real Estate:** properties in Helsinki, St Petersburg, Tallinn, and Riga + leased premises
- **Fashion Chain:** Lindex



- New structure to be used in reporting as of the Q1 2015 interim report
 - Comparative 2014 figures to be published in March 2015

- Strategic goal is to change the company's legal structure in line with the new operating structure
 - Board of Directors will investigate the possibility to incorporate Stockmann's real estate and retail operations into separate subsidiaries

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Strong partnership between Retail and Real Estate

Stockmann Retail

- Focused offering both in online and department stores
- Product category and space allocation optimisation

Real Estate

- Strengthening the offering with attractive new tenants
- Goal is to increase the value of properties by improving cash flows from leasing operations

Stockmann Beauty

- Cosmetics stores will be closed down by the end of May 2015 in Finland

Hobby Hall

- Divestment process is proceeding

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Seppälä will be sold in a management buyout

- Memorandum of understanding signed to sell Seppälä to CEO Eveliina Melentjeff and her husband Timo Melentjeff
- Committed owner that is fully focused on Seppälä
- Transaction will cover 82 Seppälä stores in Finland and 20 in Estonia with approx. 600 people
- Seppälä continues to have the widest network of fashion stores in Finland
- Transfer of business on 1 April 2015





Efficiency programme targets annual cost savings of EUR 50 million

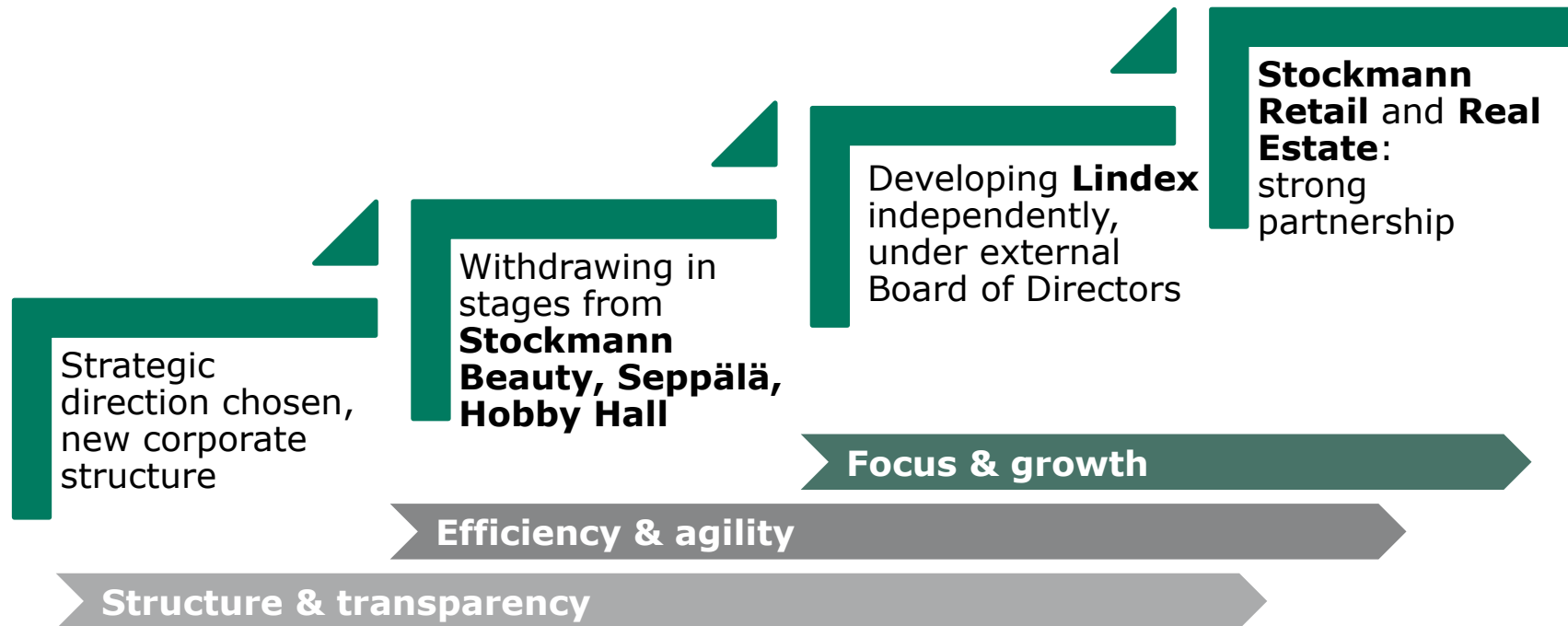
- Effects visible gradually, mostly beginning in 2016
- Simplified, agile processes and cost savings in support functions
- Planned changes in the store network
 - Closing of three department stores in Mega shopping centres in Moscow, Russia by the end of 2016
 - Possible closure of Oulu department store in Finland, where lease agreement will expire in early 2017
 - Lindex plans to close all stores in Russia and to focus on its core markets
- New business models with goods suppliers
- Decreasing inventories and the number of suppliers
- Square metre releases
- Efficient operations in Delicatessen
- Focus on store operations – sales and customer service





Stockmann Group's strategic path

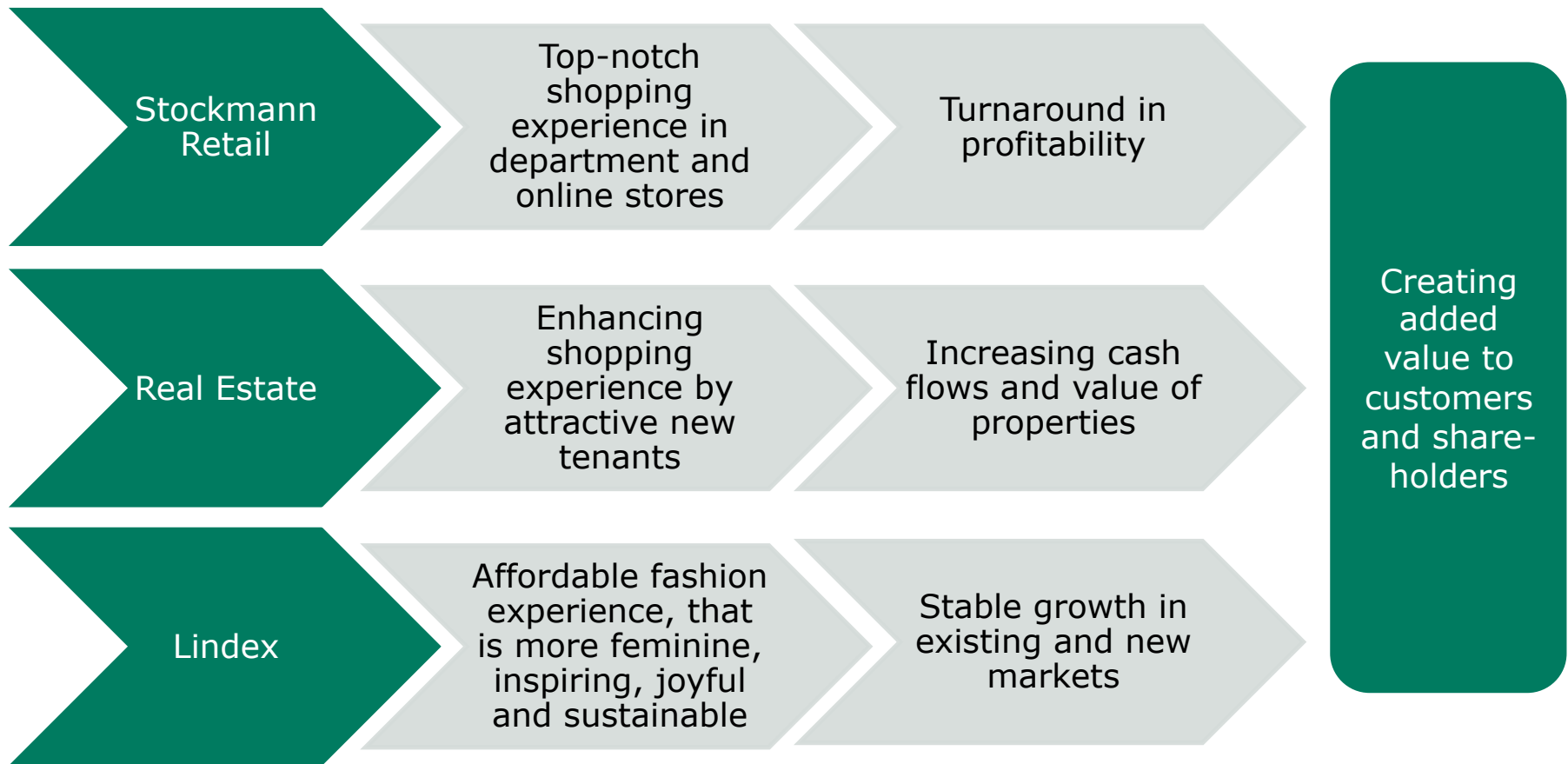
- Focusing and building on strengths of the key businesses
- Streamlining non-core businesses
- Ensuring efficiency and agility in all operations



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Strategic direction: Placing the inspirational customer experience at the core





Stockmann Group in 2014





Retail market in brief

- **Finland**

- Difficult market situation continued: declining consumers' purchasing power, drop in demand for non-food products and increased competition
- Fashion market in 2014 down 6.4% (TMA)

- **Baltic countries**

- Stable market development
- In Latvia transition into euro in the beginning of 2014 boosted sales

- **Sweden**

- Fashion market in 2014 on a par with the previous year (Stilindex)

- **Russia**

- Weak economy and all-time-low Russian rouble, with a negative impact on purchasing power
- Food import ban into Russia was set in force in August
- Declining number of Russian tourists in Finland and the Baltic countries

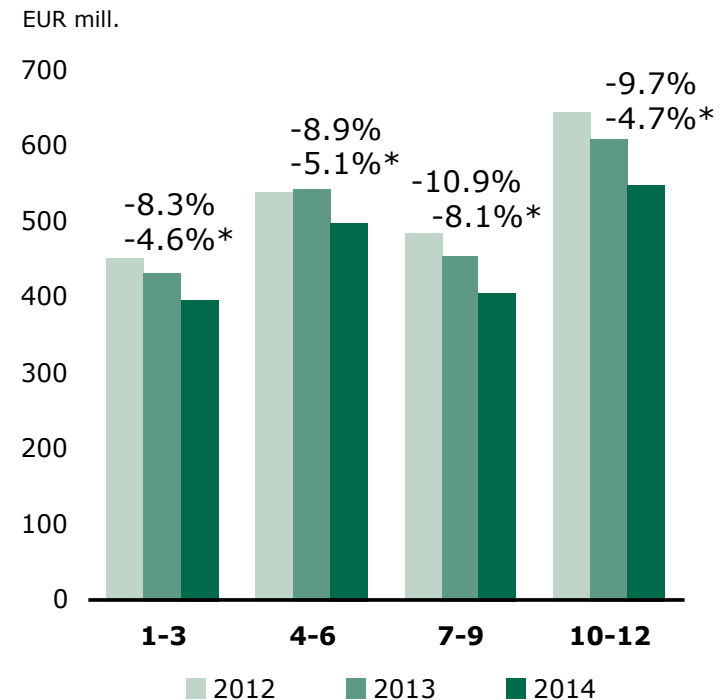




Revenue in 2014

- **Full-year revenue** EUR 1 844.5 million, down by 5.5% at comparable exchange rates
 - In Finland down by 10.2%
 - International operations down by 0.6% at comparable exchange rates, but 8.7% in euros
 - Decline in both divisions
- **In the fourth quarter,** international operations were on a par with the previous year, but due to all-time-low rouble euro-denominated revenue abroad was down 10.3%

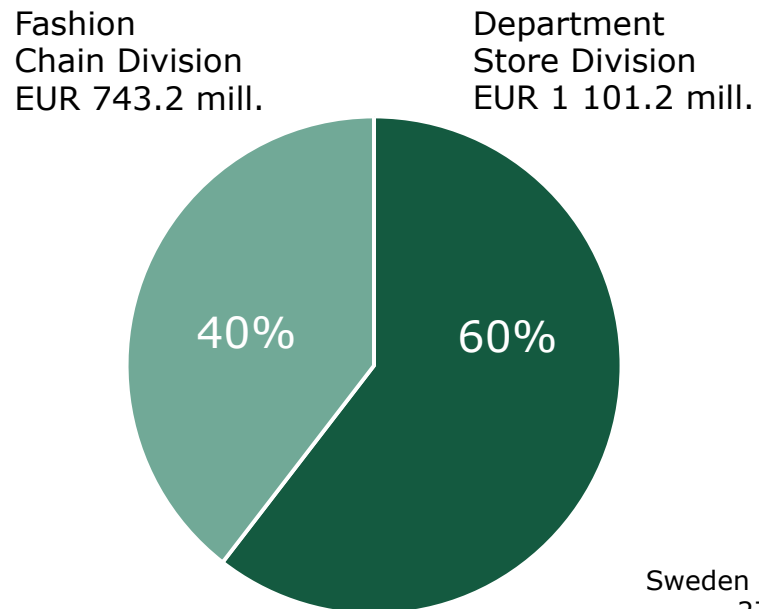
QUARTERLY REVENUE



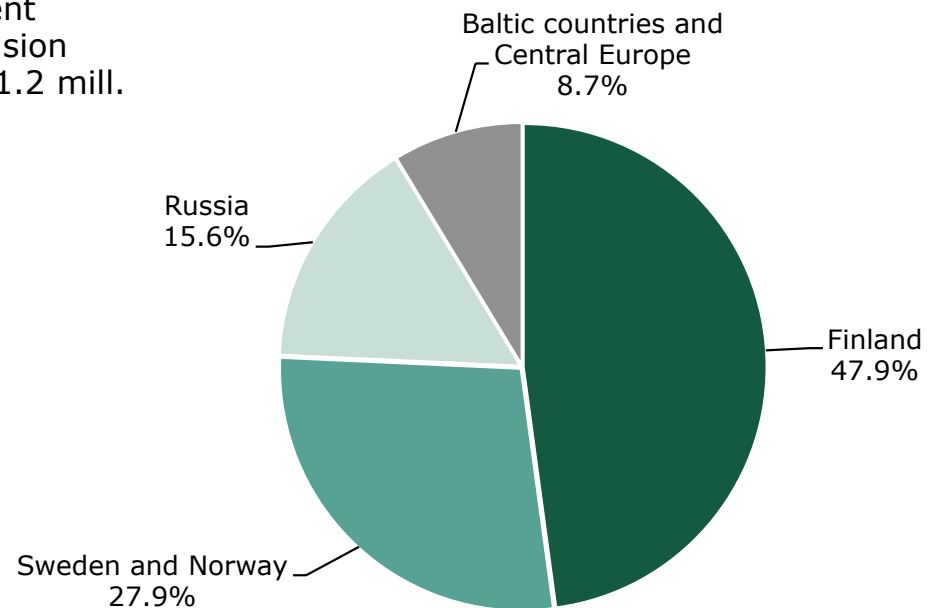


Revenue in 2014

REVENUE BY SEGMENT



REVENUE BY MARKET



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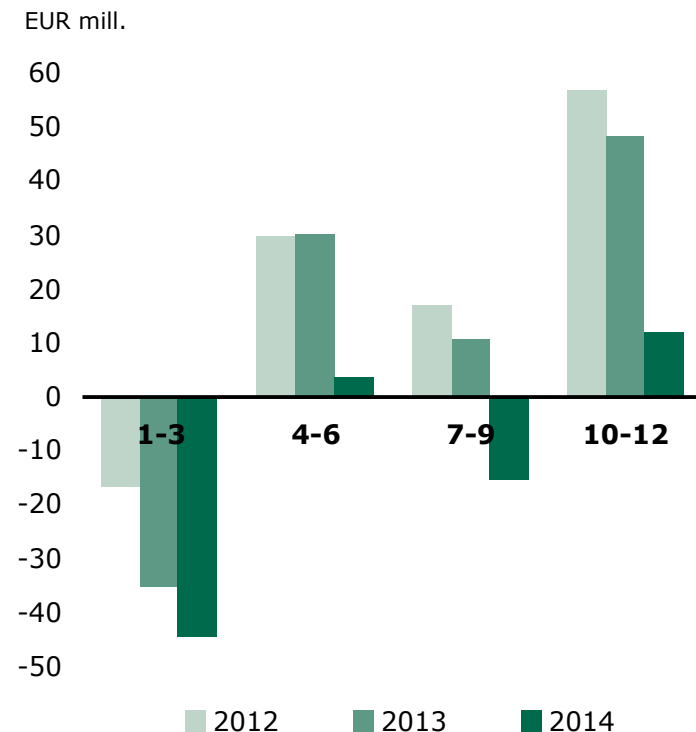


Operating result in 2014

- **Gross margin** 46.6% (48.6%)
 - Significantly down in Russia in Q4
- **Operating costs** excl. NRI down by 3.4% or EUR 29.6 million
- **Operating result** excl. NRI EUR -42.9 million (EUR 54.4 mill.)
 - Q4 operating profit excl. NRI EUR 12.2 million (EUR 48.3 mill.)
- **Non-recurring costs** in total EUR 39.3 million*
 - Seppälä store closures EUR 24.7 mill
 - Group's restructuring reserve EUR 8.0 million
 - Stockmann Retail's write-downs of inventory and non-current assets EUR 6.6 million

* EUR -36.2 million
with tax impact

QUARTERLY OPERATING RESULT Excluding non-recurring items





Financial figures 2014

	2014	2013
Net financial costs, EUR mill.	21.4	27.6
Taxes, EUR mill.	-3.8	-21.6*
Earnings per share excluding NRI, EUR	-0.88	0.30
Non-recurring items per share, EUR	-0.51	0.37
Reported earnings per share, EUR	-1.39	0.67
Dividend (Board's proposal)	0.00	0.40
Cash flow from operating activities, EUR mill.	29.6	125.4**
Inventories, EUR mill.	239.3	285.8
Capital expenditure	53.8	56.8
Equity ratio, %	39.3	43.8

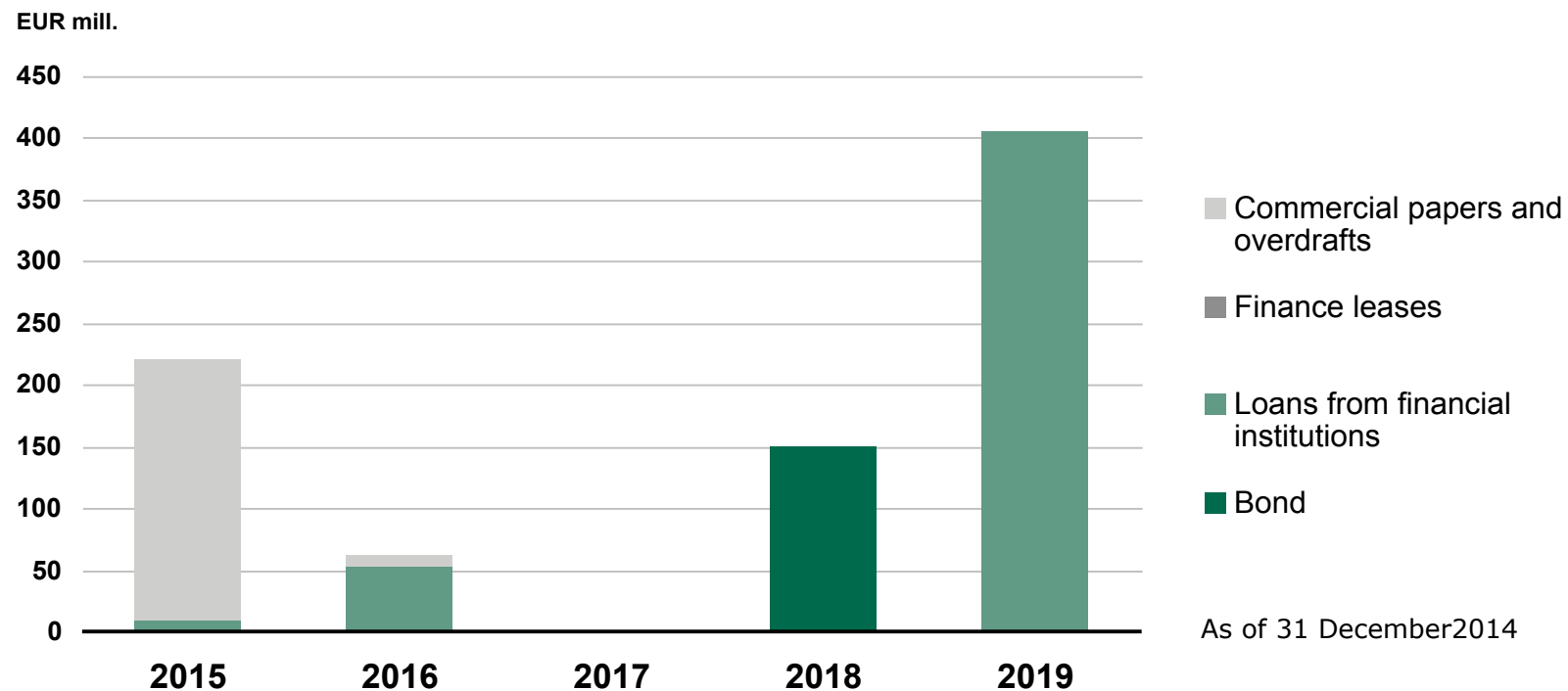
* Incl. Lindex's tax refund of EUR 22.8 million

** Incl. Lindex's tax refund and related interest income of EUR 26.3 million



Maturity structure of interest-bearing liabilities

- EUR 700 million committed credit facilities, of which EUR 296.6 million undrawn, due in February 2019
- EUR 150 million bond due in March 2018





Outlook for 2015

- Outlook for retail market in **Russia** remains very uncertain: all-time-low rouble, weakening economy and purchasing power, which will also decrease the number of Russian shoppers in Finland and in the Baltic countries
- No growth is expected in the retail market in **Finland** in 2015, demand for non-food goods remains uncertain
- Affordable fashion market in **Sweden** and retail market in the **Baltic countries** expected to remain relatively stable
- Efficiency programme launched with annual savings target of EUR 50 million; effects visible mostly beginning in 2016
- **Capital expenditure** estimated to amount to approximately EUR 70 million
- **Depreciation** will increase due to fair market valuation of the real estate

Stockmann Group's revenue is expected to be down on 2014 due to planned structural changes. 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. Operating results for the Real Estate and Fashion Chains divisions are expected to be positive.

A flat-lay photograph showcasing a variety of retail products. The items are arranged on a solid green background. In the top left, there's a small hexagonal tray containing makeup items like lipstick and eyeshadow. Next to it is a small box of tissues. A black high-heeled shoe is positioned in the top center. To its right is a teal pleated skirt and a matching long-sleeved top. Below the skirt is a black strap with a buckle. In the center, a dark green sleeveless top is laid out. To its right is a small blue and white striped object, possibly a hairbrush or a small bag. Further right are two blue and black hairbrushes. In the bottom left, there's a green towel with a bottle of Afta shower gel and a small box. Next to it is a dark green skirt. In the bottom center, a white t-shirt with large black polka dots is laid out, with a small green teddy bear toy on it. To the right of the t-shirt is a green wallet. In the bottom right corner, there's a green notebook with a pen. The overall aesthetic is clean and modern, with a focus on color and texture.

Stockmann Retail



Year 2014 in brief

- Difficult year behind – all-time-low rouble accelerated the decline in the fourth quarter of the year
- Helsinki flagship store visited by 12 million customers during the year
- Crazy Days campaign continuously strong
- Enlarged Tampere department store opened in November
- Strong growth in stockmann.com, up 21.6%
- Nevsky Centre's tenant mix improved and rental income up despite the difficult market in Russia
- New operating model for department stores in Finland taken into use in September
- New ERP taken into use in all units; improvements on-going
- Strategy work progresses with full speed

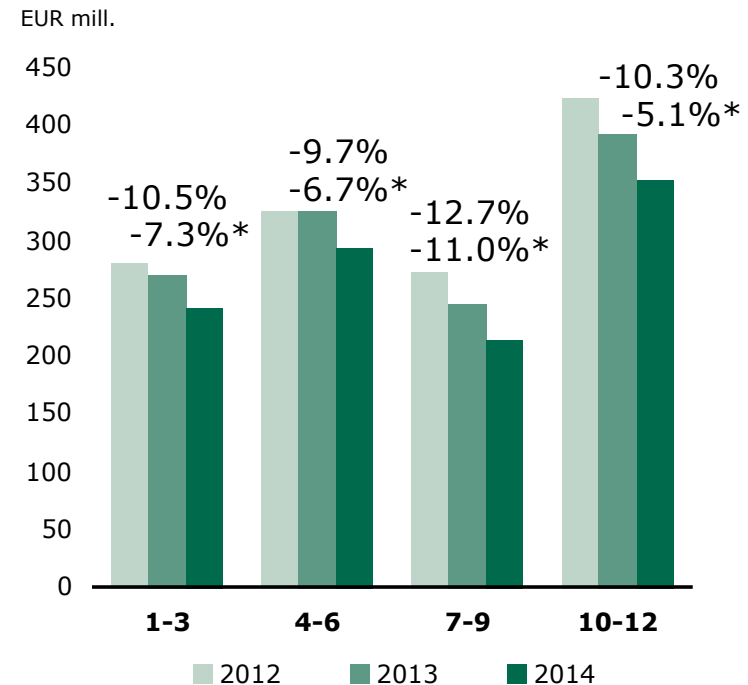




Revenue in Q4 2014

- **Revenue** down by 10.3%, to EUR 351.7 million, or down by 5.1% in comparable currency rates
- All-time-low Russian rouble
 - Sales in Russia up by 7.6% in rouble, significantly down in euros
 - Tax free sales in Finland and in the Baltics clearly down, due to few Russian shoppers
- Crazy Days campaign achieved a good result in October, but Christmas sales were lower than expected
- Positive development in cosmetics and in ladies fashion in December
- **Online store** continues to grow strongly

QUARTERLY REVENUE



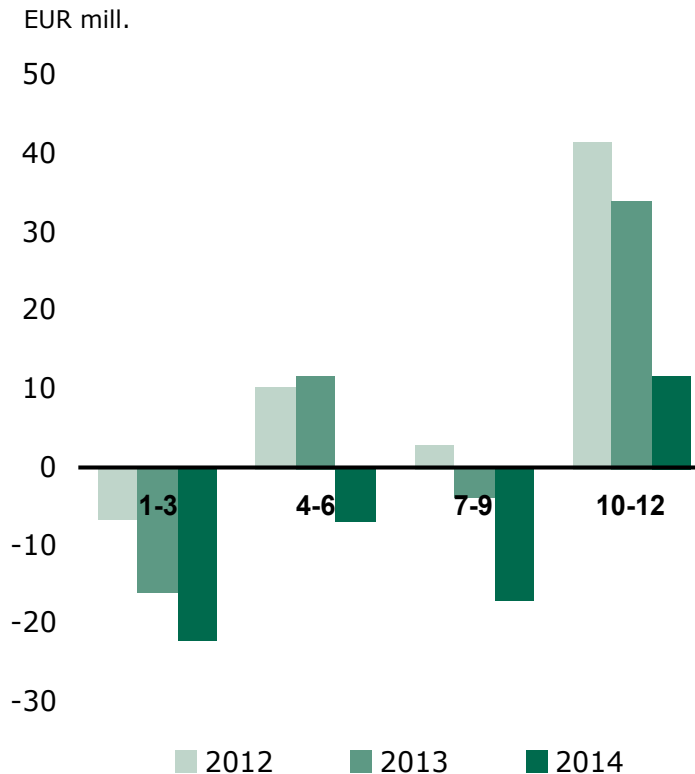
* Figures at comparable exchange rates



Operating result in Q4 2014

- **Gross margin** 35.5% (41.9%), decline particularly in Russia due to the weakened rouble
- **Operating costs** excluding non-recurring items were down by EUR 16.1 million due to cost savings measures
- **Operating profit** excluding non-recurring items EUR 11.6 million (EUR 34.0 million)
- **Non-recurring items** EUR 6.7 million, incl. inventory write-downs (electronics, Stockmann Beauty) and non-current assets (related to e.g. properties in Baltic countries)
- Year-end **stock level** down on 2013

QUARTERLY OPERATING RESULT Excluding non-recurring items





Stockmann Retail's new strategy

- Clear value proposition and **target group**
 - Offering targeted more closely at customers who value convenience, quality and inspiration
- Strong focus on **fashion, cosmetics, food and home** products
 - Own electronics product category to end in 2015, except small kitchen and beauty appliances; new tenant Expert will complement the offering
- Optimal **store network and sales space**
 - Planning to close down four department stores
 - Evaluating sales space in each store for efficient use of premises
 - Real Estate will lease out the additional retail space
- Agile and **efficient organisation** – changing the corporate culture



New value proposition

BEST-IN-CLASS SERVICE



Great, warm and modern

- More sales staff/hours in the department stores
- Training and sales incentives to personnel
- Promoting services and in-store events
- Developing the omnichannel experience

SELECTION ALWAYS UP-TO-DATE



Best mix of brands and choices

- Revising brand and supplier mix
- New cooperation models with suppliers
- Increasing communication on renewal and choices
- Optimising product categories

LOYALTY TRULY REWARDED



Awards and advantages

- Introducing new partnerships, e.g. Finnair
- More targeted marketing instead of wide boosting campaigns
- Renewal of loyalty programme

BRAND PROMISE

*Sinua varten.
Tänkt för dig.
Signed for
you.*

A top-notch shopping experience

Destination for easy and inspirational shopping





Optimal store network

- Plan to close down **three department stores** which are located in Mega shopping centres in **Moscow Region, Russia**
 - Loss-making units
 - Investments would be needed in the store environments
 - Possibility to close down simultaneously by the end of 2016
- Plan to close down the **Oulu department store** in Finland
 - Loss-making unit
 - Area with increased competition and declining economy
 - Lease agreement will expire in 2017





Investing for the future



Department stores and commercial concepts

- Towards the store of the future: inspiring in-store experience
- E.g. New Tapiola department store to open in 2017



Omnichannel infrastructure

- Foundations for seamless experience across the channels
- E.g. Customer relationship management (CRM) and omnichannel sales tools



New distribution center to open in 2016

- Combines existing warehouses to one efficient center and enables the growth of ecommerce

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Real Estate



NDERSGATAN





Real Estate division

- Own properties in Helsinki, St Petersburg, Tallinn, and Riga
- Manages all own and leased premises
- On 1 January 2015, fair value totalled EUR 908.3 million
 - Depreciation will increase due to the fair market valuation

Strategic target is to increase the value of properties

1. Strengthening the offering with attractive new tenants
 2. Improving cash flows from real estate operations
 3. Long-term investments to enhance the value of the own properties
 4. Cost efficient facility management in all properties owned or leased by the group
 5. Professional real estate service organisation supporting the business of all tenants
- As the first step, Expert will open its electronics stores in Helsinki city centre store premises in May 2015, in Turku by the end of June and in Tampere by the end of 2015



Fashion Chains



Lindex in 2014 in brief

- Strong spring campaign with Kate Hudson
- Launch of new underwear concept gave good result; lingerie the best performing product area in 2014
- Successful 60 years celebration and well-received design collaboration with Jean Paul Gaultier – resulted in EUR 1.4 million in donations to fight against the breast cancer
- New MOM maternity collection on lindex.com
- Reuse, recycling project in 50 stores in Sweden
- China franchising agreement cancelled
- Decision to expand into London, UK in 2015
- New Board of Directors elected in the autumn

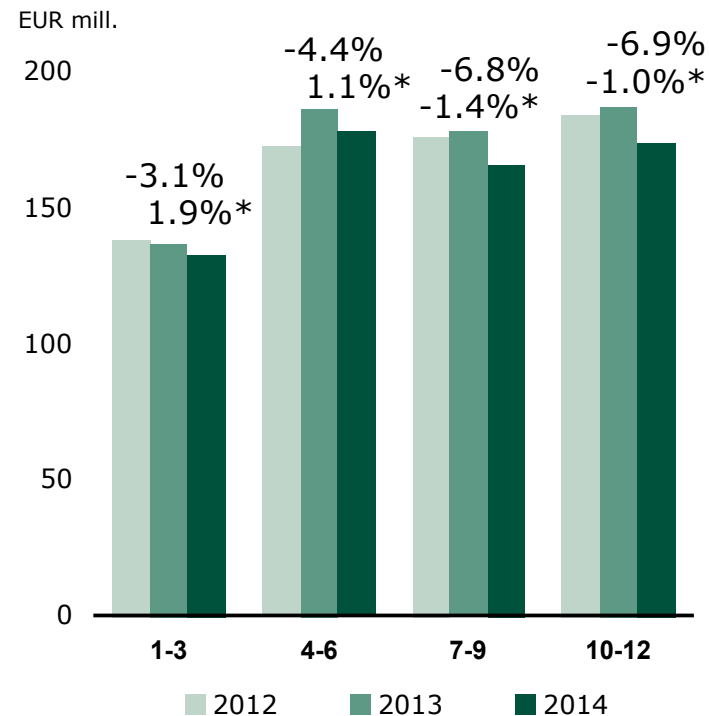




Lindex's revenue in Q4 2014

- **Revenue** down 6.9%, to EUR 174.0 million
 - In local currencies down 1%
 - Comparable revenue down 2.4%
- Continuous increase in lingerie, while women's and kids' wear decreased
- Norway and the new markets increased their comparable sales, but Sweden and Finland decreased

QUARTERLY REVENUE



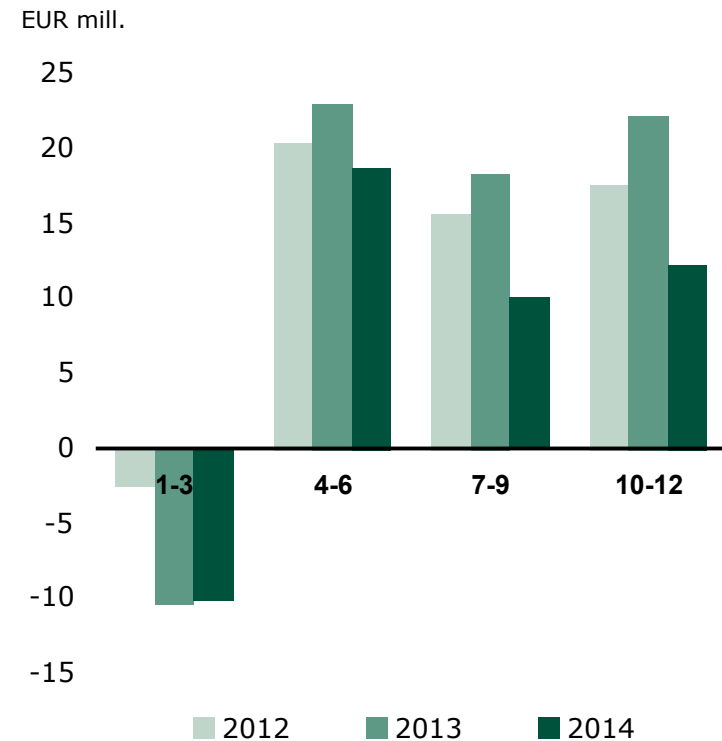
*Figures at comparable exchange rates



Lindex's operating result in Q4 2014

- **Gross margin** 61.4% (64.5%)
 - Negative effects from currency hedging and a one-time customs refund in 2013
- **Operating costs** down mainly due to currency effects
- **Operating profit** EUR 12.3 million (EUR 22.2 million)
- **Stock level** at year-end down on 2013
 - Optimised purchases and good actions for old stock

QUARTERLY OPERATING RESULT Excluding non-recurring items

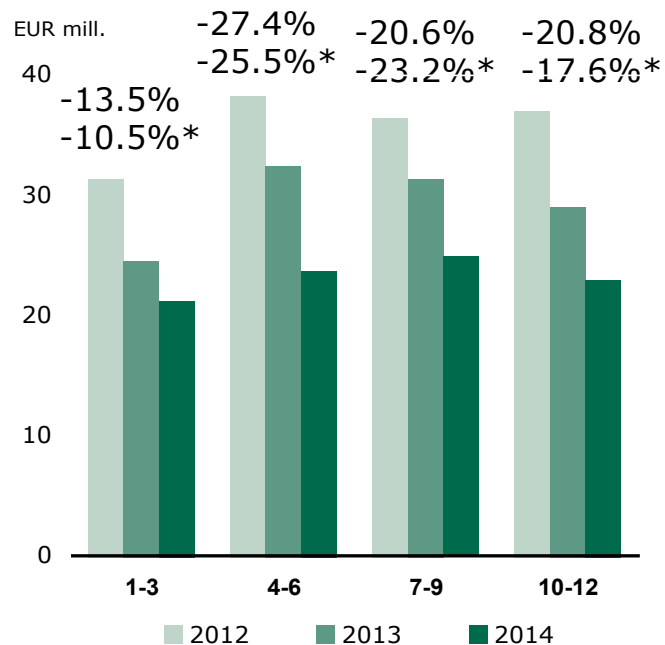




Seppälä in 2014

- Full-year revenue down 21.1%, to EUR 92.6 million
- 37 stores closed, 3 opened in 2014

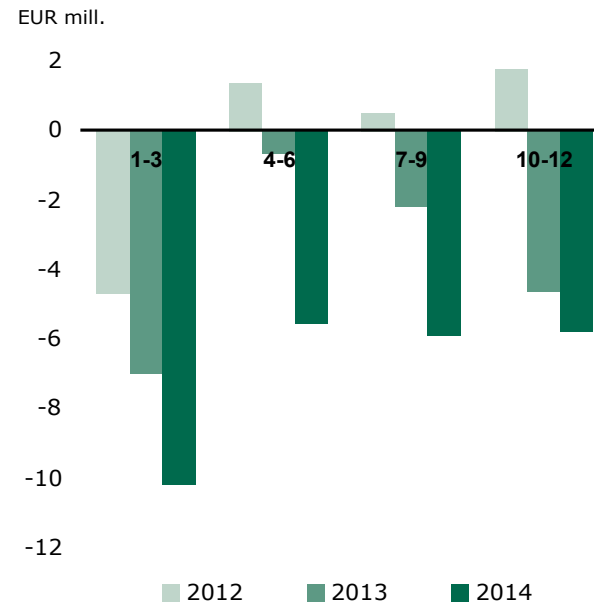
QUARTERLY REVENUE



- Full-year operating result excl. NRI EUR -27.2 million (EUR -14.4 mill.)
- Gross margin 50.3% (56.4%)

QUARTERLY OPERATING RESULT

Excluding non-recurring items



* Figures at comparable exchange rates

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Lindex's international expansion



- Lindex opened 24 stores and closed 12 stores in 2014
 - 7 stores opened, 4 closed in Q4
- 491 stores at year-end in 16 countries, of which 36 franchising stores in 6 countries
- Target for 2015
 - Approx. 10-15 new stores (net)
 - First store to open in London, UK, on 27 March 2015



Outlook for Lindex in 2015

- Markets in Sweden, Norway and Finland expected to somewhat improve in 2015
- Continuous sales growth expected in Central Europe
- Low visibility for the Russian market: decision taken to gradually close down the stores in Russia
- Spring campaign with famous role models
- Lindex product area for men – LXM – will end
- Launch of Lindex Beauty
- London store opening with a new store interior concept
- Increased focus on sales and the customer



Thank you!

Q&A