



STOCKMANN

Interim Report
January 1 – September 30, 2008

Hannu Penttilä
CEO



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**

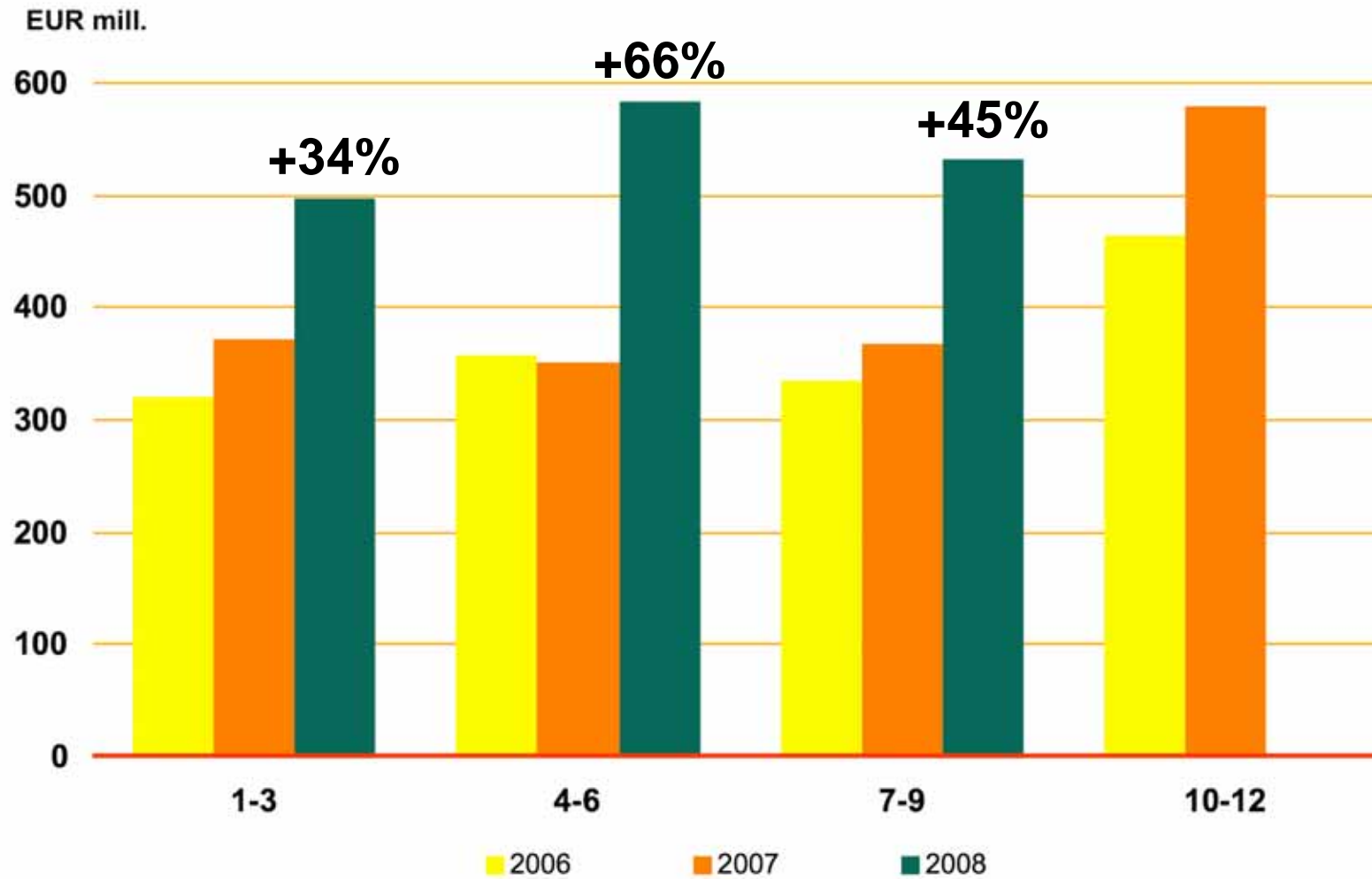


Stockmann Group 1–9/2008

- **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)**

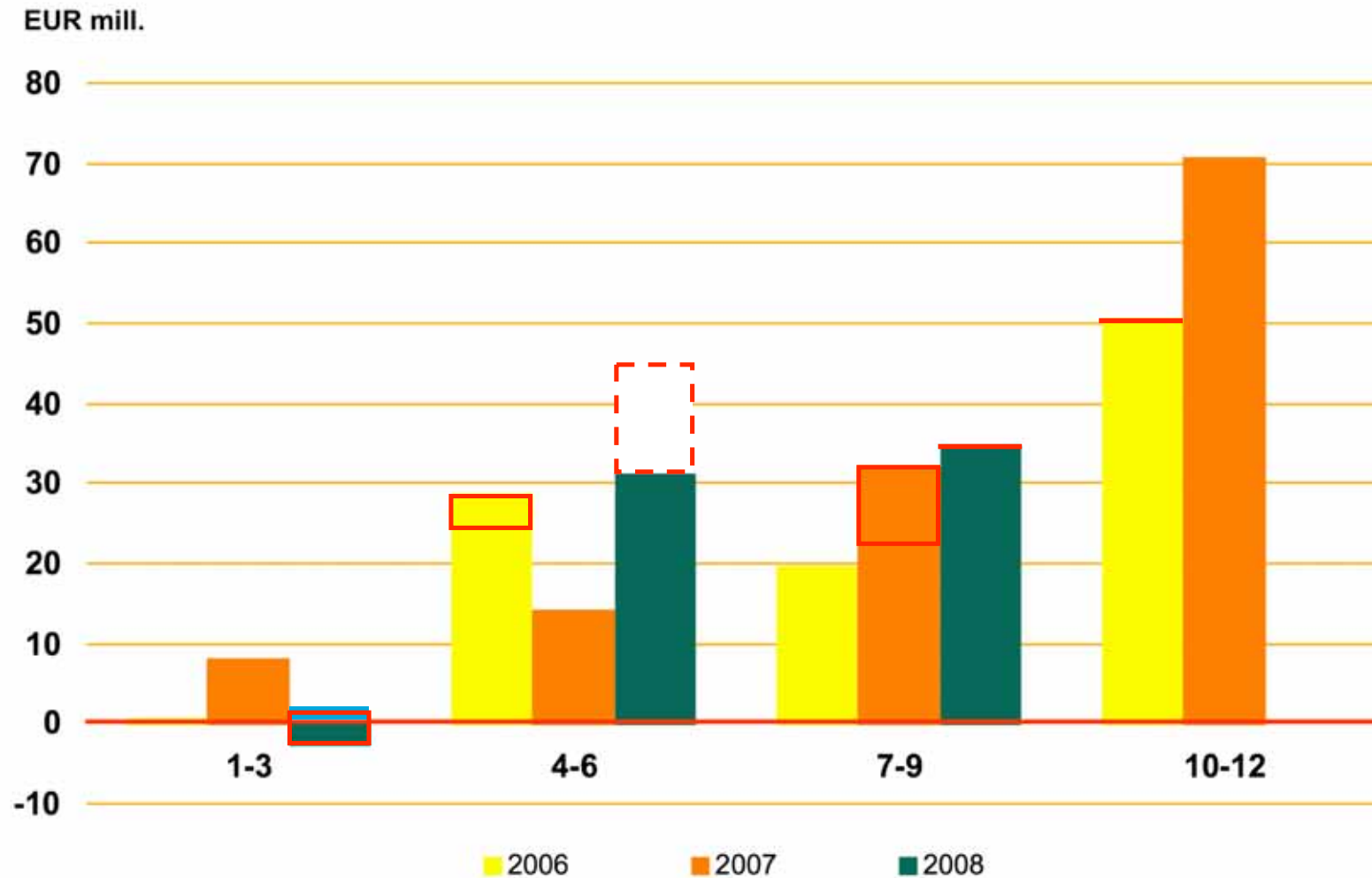


Sales, Stockmann Group





Operating profit, Stockmann Group



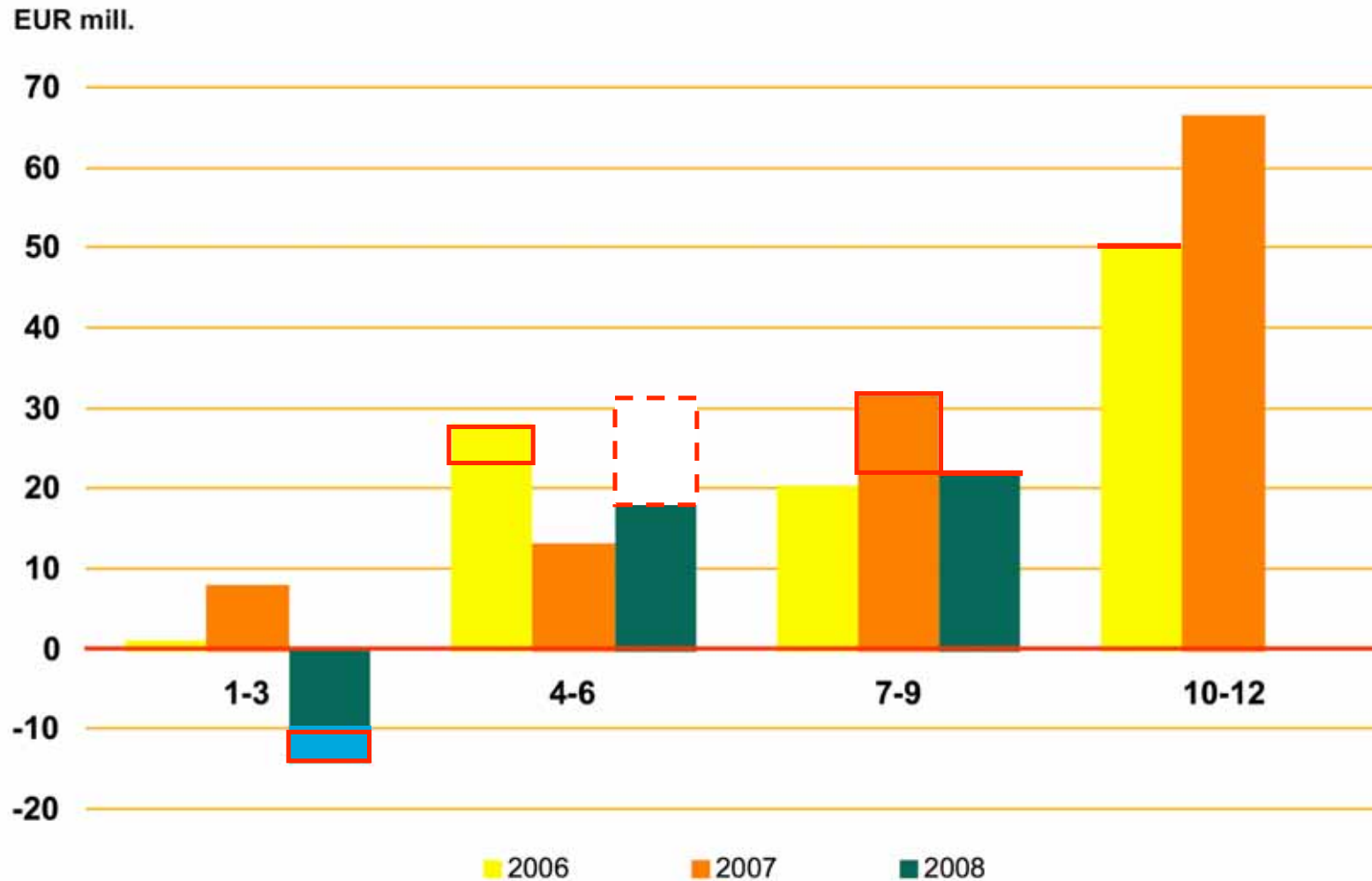
■ Q1/2008 operating profit is burdened by Lindex's EUR 4.5 mill. IFRS related expenses

□ 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.

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Profit before taxes, Stockmann Group



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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**
- **Slowdown in the growth of consumer demand in the Nordic & Baltic markets**
- **Strong growth of Russia's consumer demand has continued**
- **Slowdown in the growth of consumer demand will continue in the Nordic & Baltic markets**
- **In Russia growth will be stronger than in other Stockmann's market areas**



Outlook for Q4/2008

2.

- **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**
- **A lot of retail investments, which have been based on high debt ratio, have been cancelled or postponed**
- **Some local operators will probably face problems in financing their everyday business**
- **Companies who can be trusted by their suppliers, will do well in the competition**
- **All Stockmann's retail concepts in Russia are targeted on the strengthening middle class**
- **Ordinary people have very little bank loans or investments in shares**
- **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

2.

- **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**

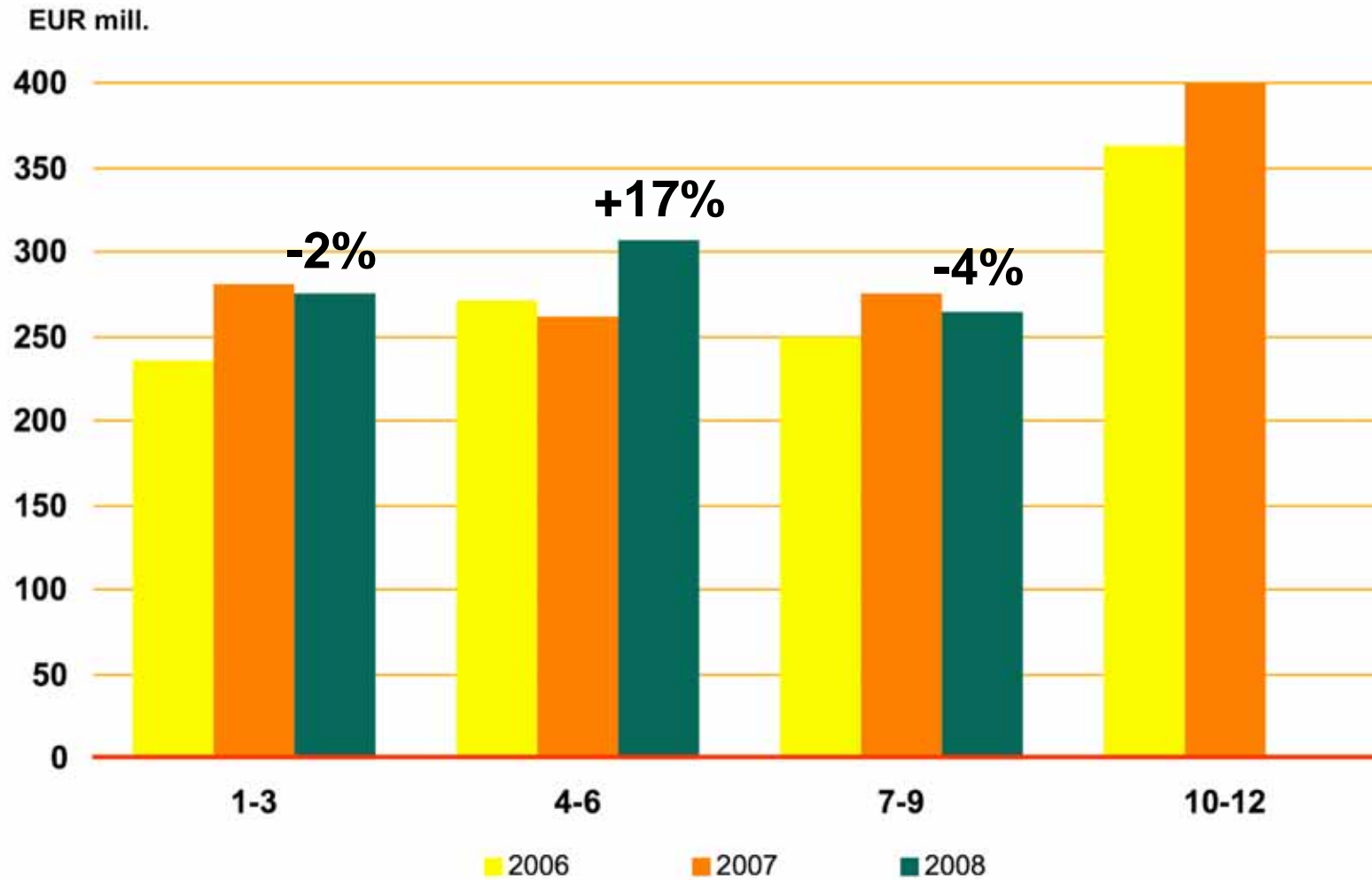
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Department Store Division

Heikki Väänänen
Executive Vice President



Sales, Department Store Division





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

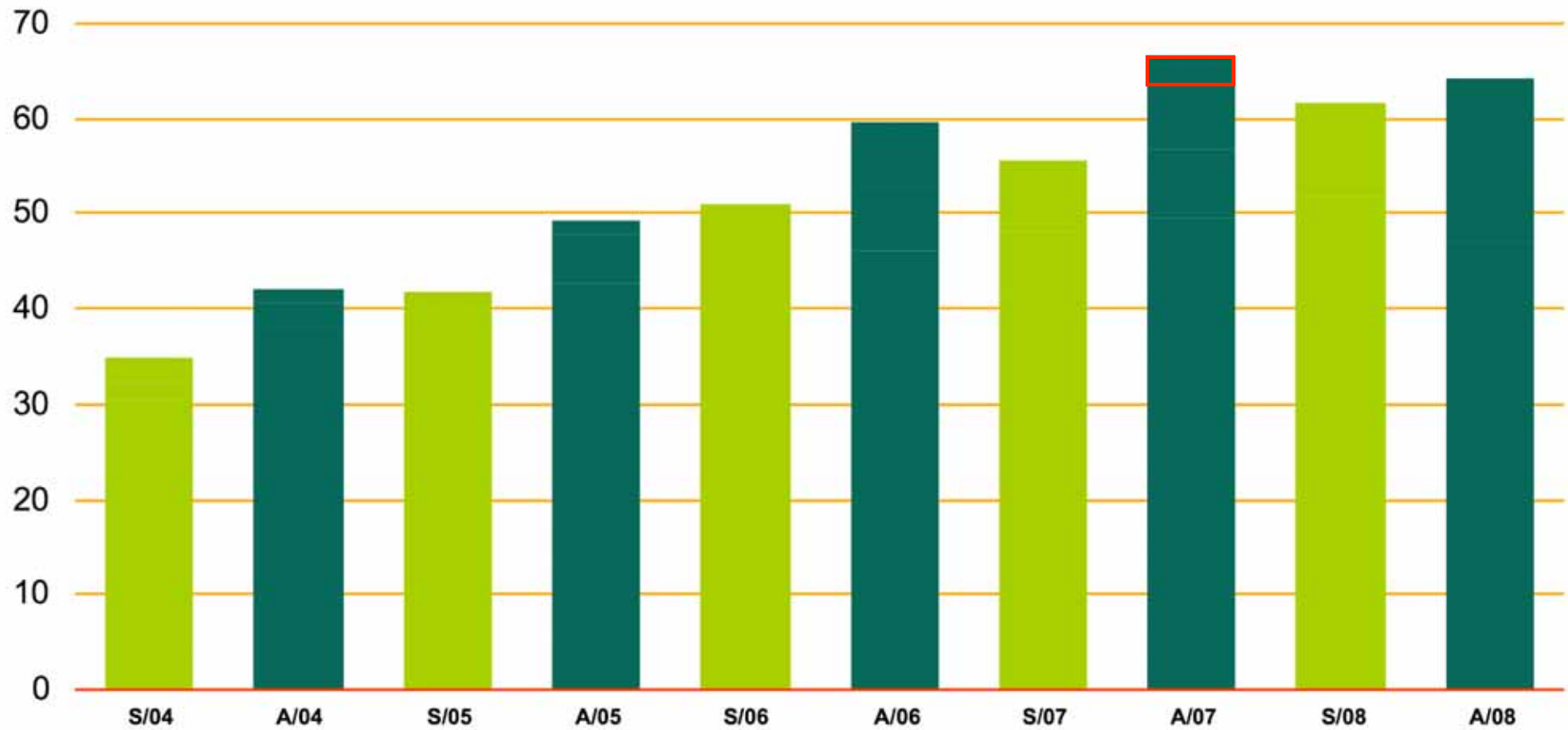
- **New comparable sales record achieved, over EUR 64 million in 12 stores**
- **Sales in Finland 5% below last year, due to decline in sales of home electronics (digiboom in 2007 and price erosion)**
- **Small growth in the Baltic states**
- **Comparable growth in Russia 52%, sales in three stores in Moscow larger than in four stores autumn 2007**



Crazy Days



EUR mill.



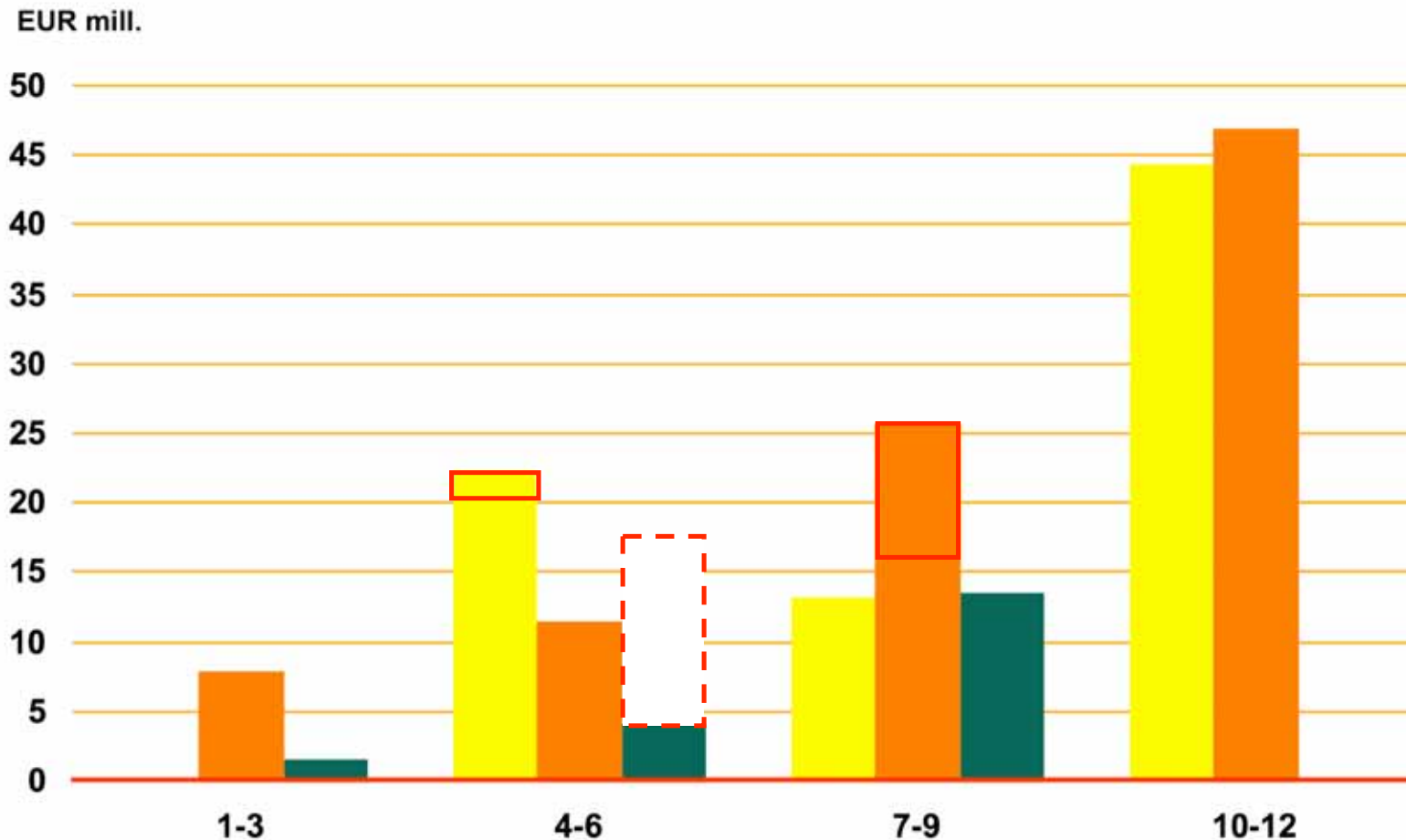
Spring
Autumn

Sales of Smolenskaya dpt store A/07

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Operating profit, Department Store Division



■ 2006 ■ 2007 ■ 2008

□ 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.

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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



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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**

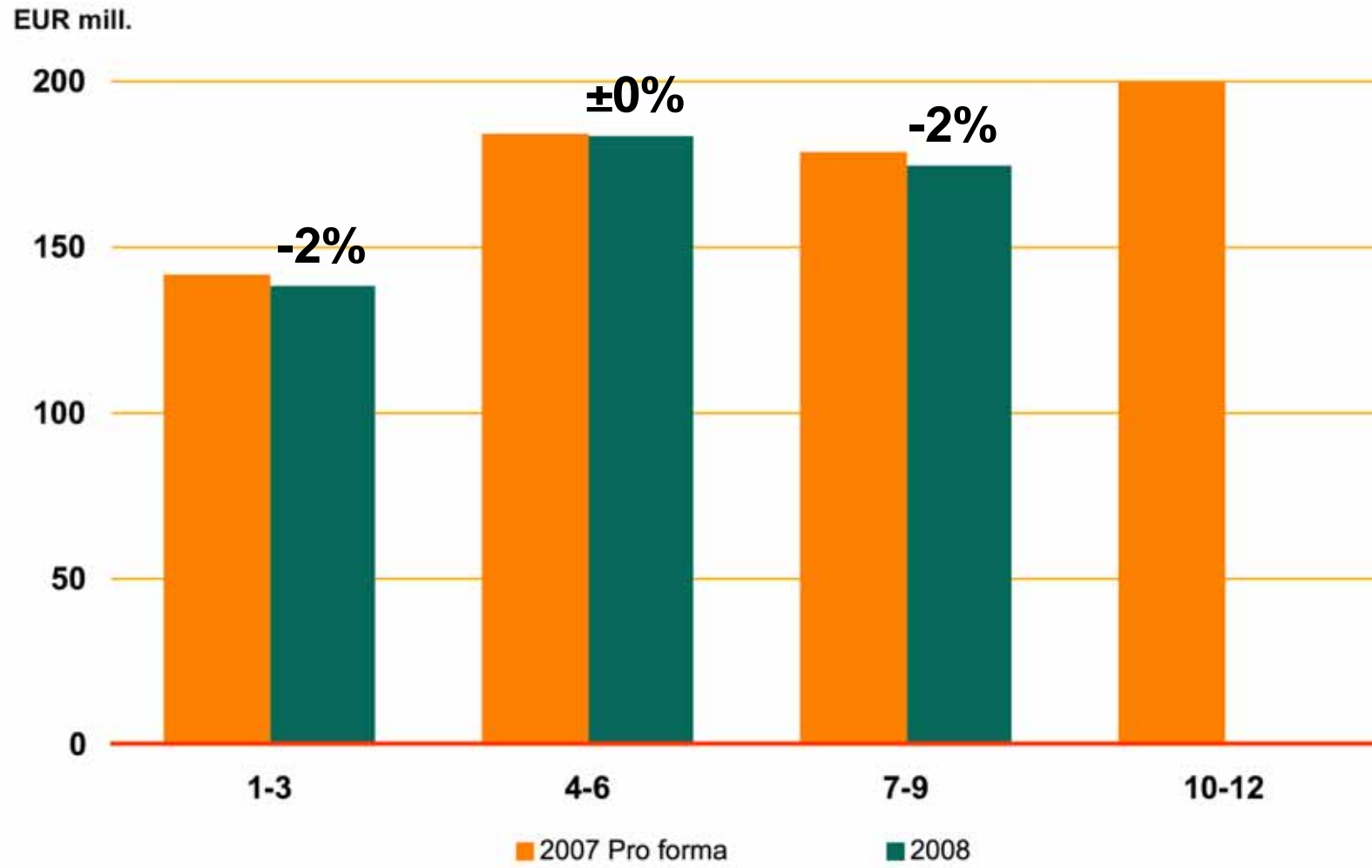
Vilnius

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

LINDEX®



Sales, Lindex





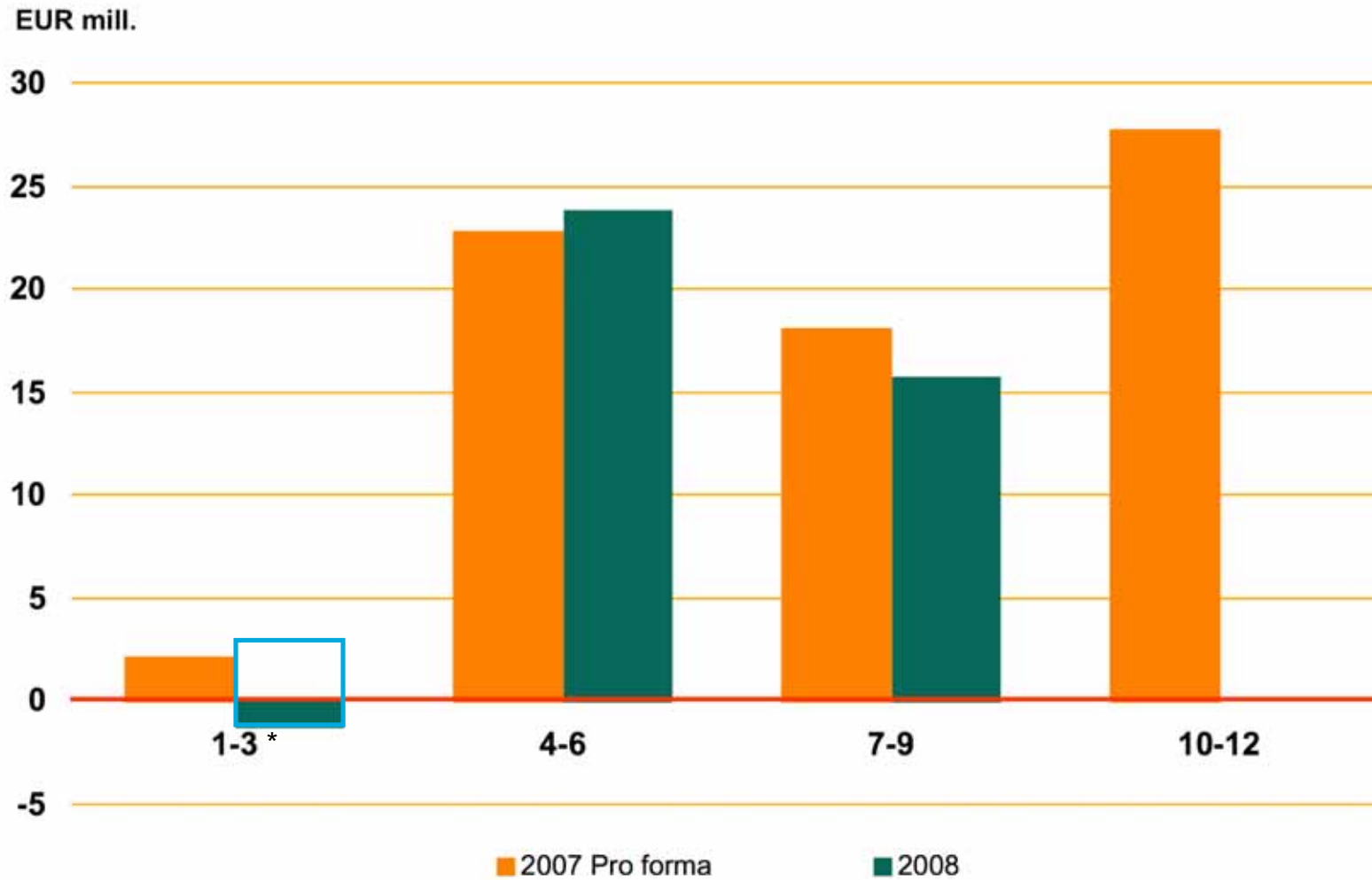
Sales development in Q3

- **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**

**STOCKMANN**



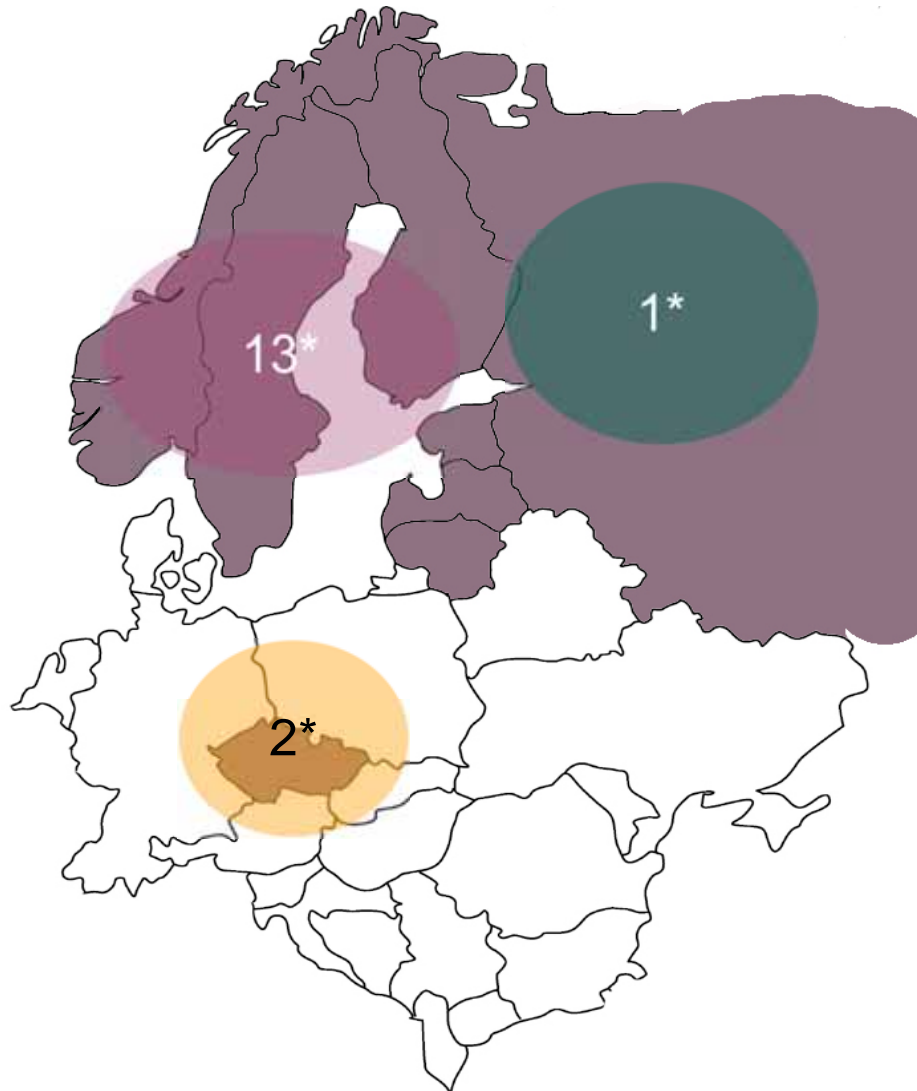
Operating profit, Lindex



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**



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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



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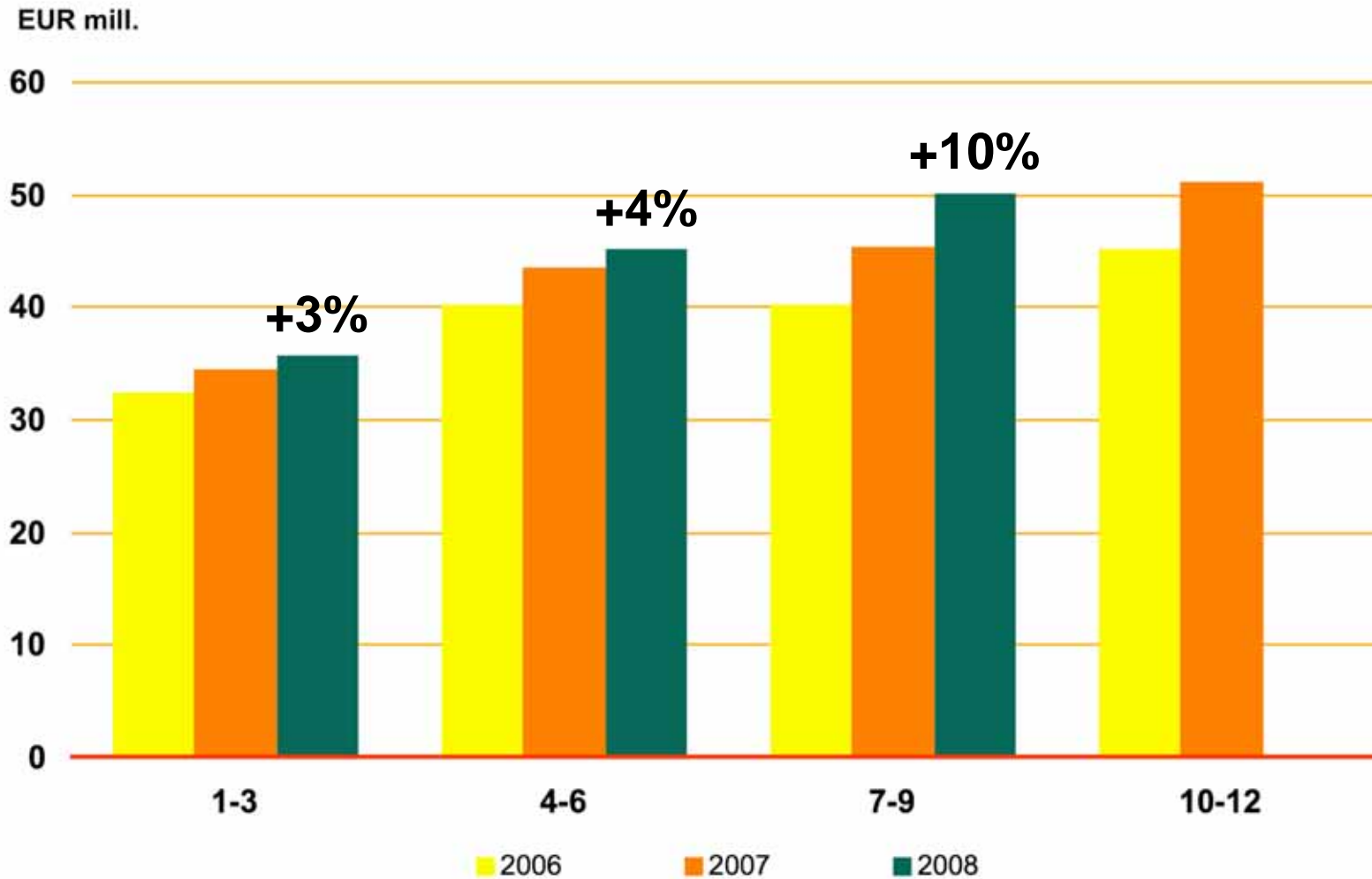


Sales 1–9/2008, Seppälä

- **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





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**

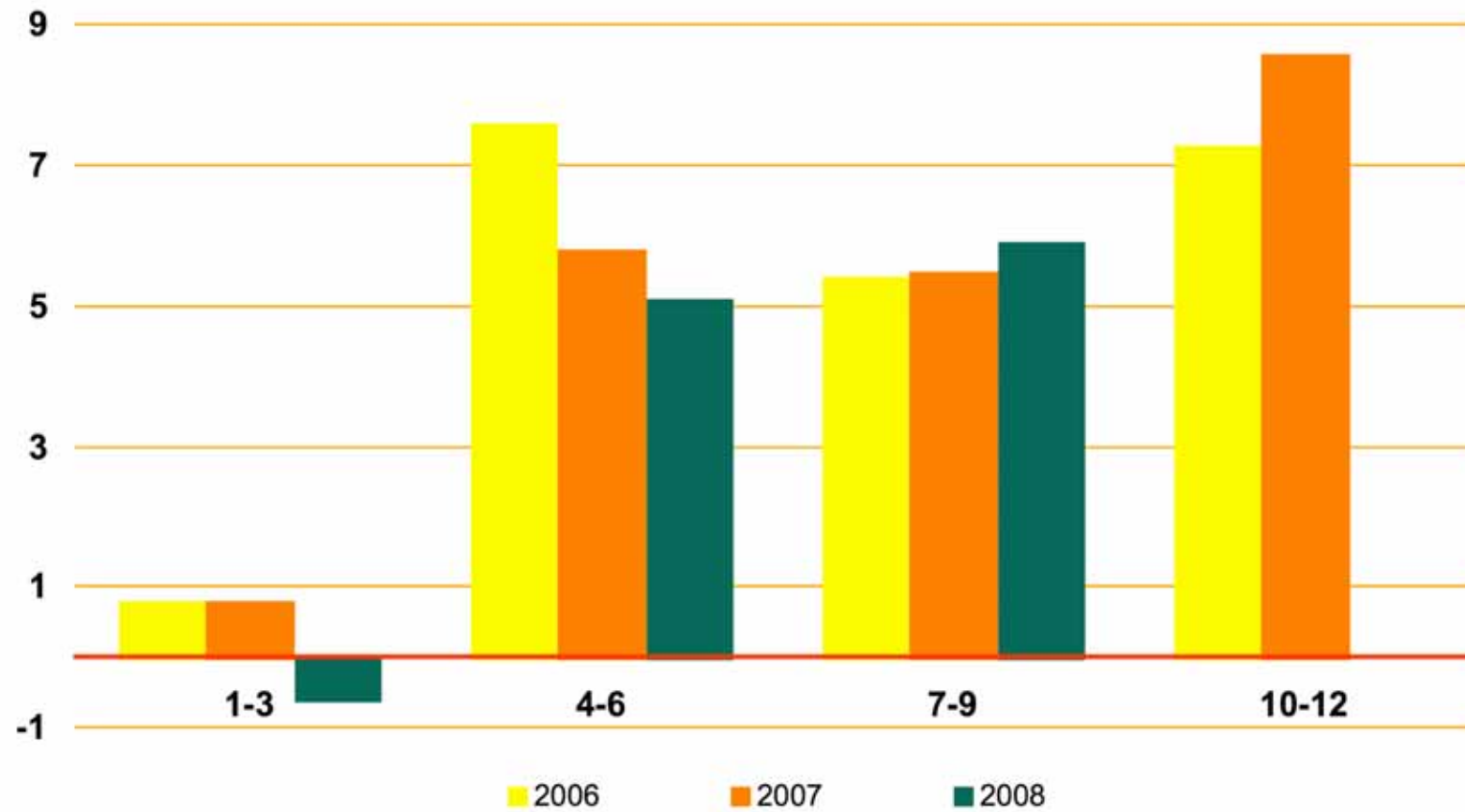


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Operating profit, Seppälä

EUR mill.





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**



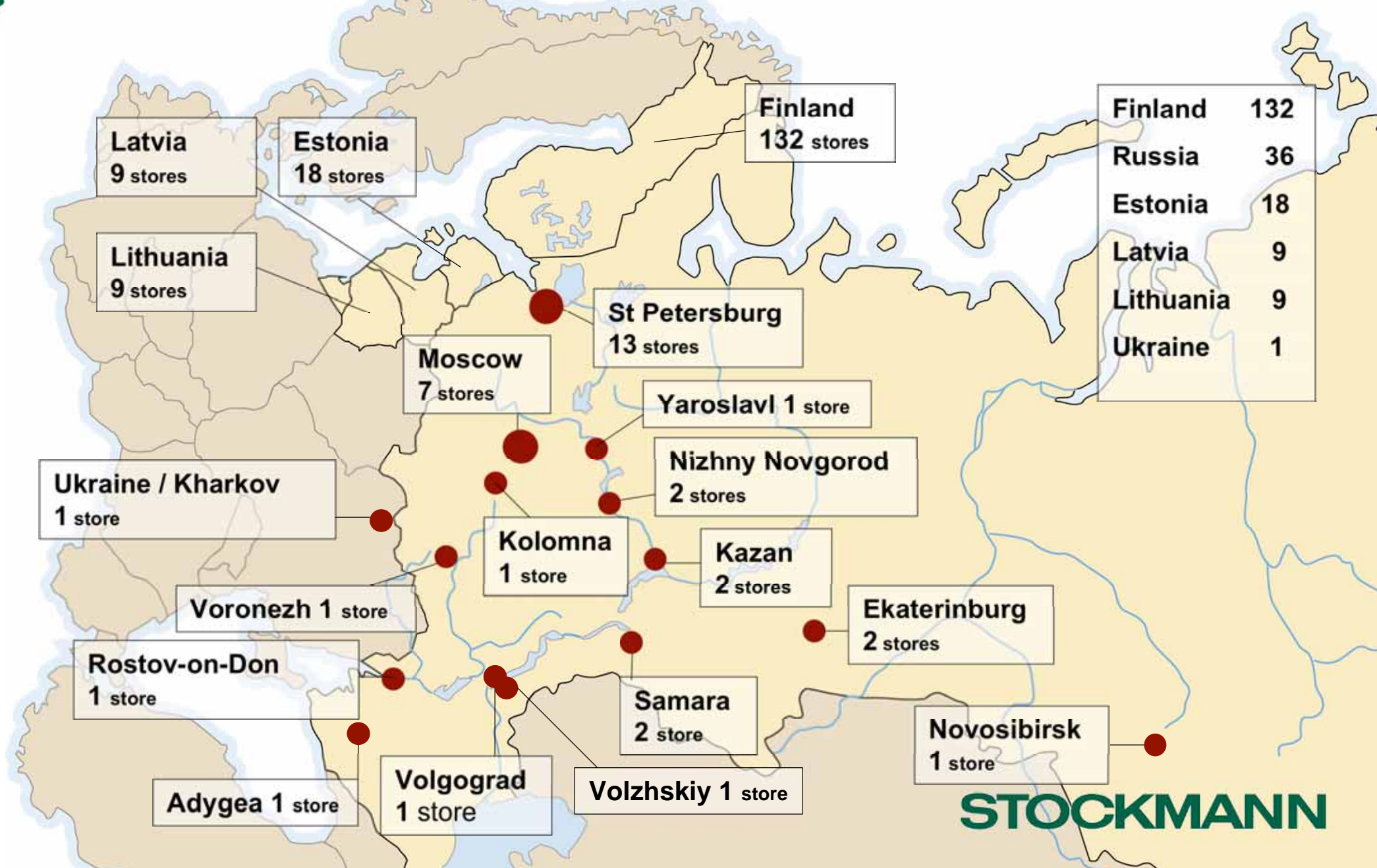


Good possibilities in current market situation Seppälä's opportunities and strengths

- **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





New collections – Seppälä by



HOBBY HALL

Tuija Pesonen
Acting Managing Director



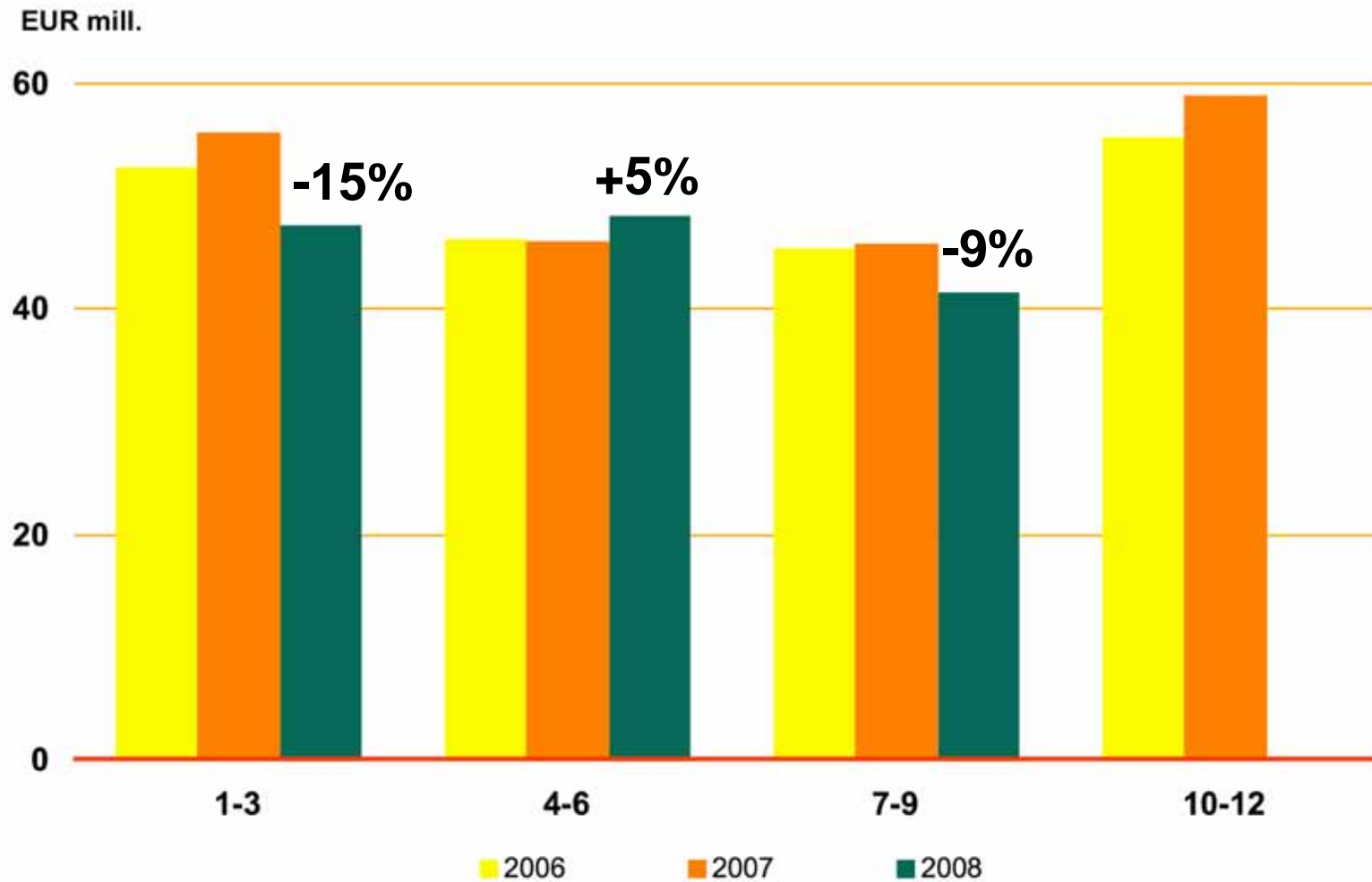
Sales Q3/2008 and 1–9/2008, Hobby Hall

- **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





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

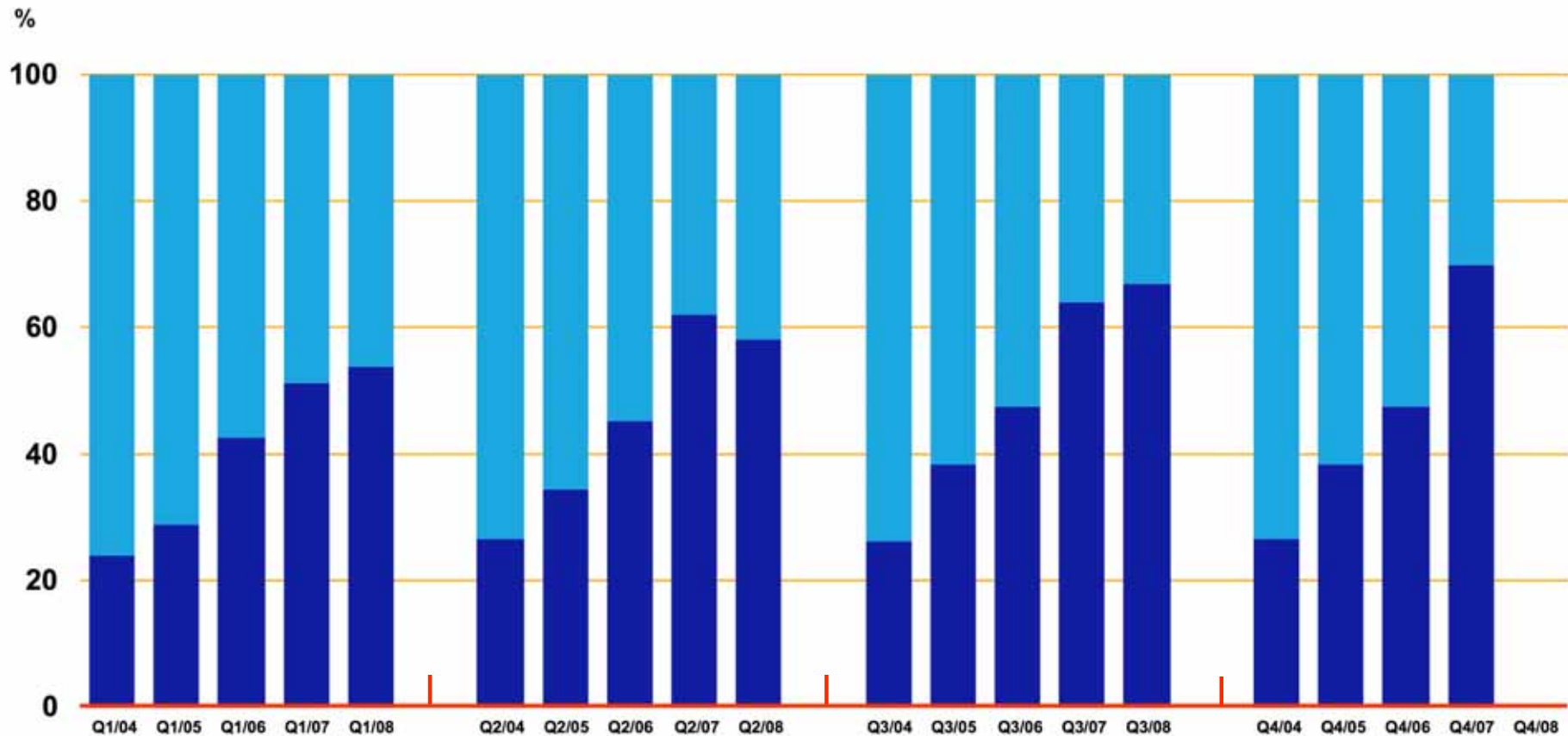
- **1–9/2008 online sales 62% (59% 1–9/2007)**
- **Q3 online sales 69% of distance retailing in Finland (53% Q3/2007)**
- **Q3 online sales 42% of distance retailing in Estonia (37% Q3/2007)**





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)**

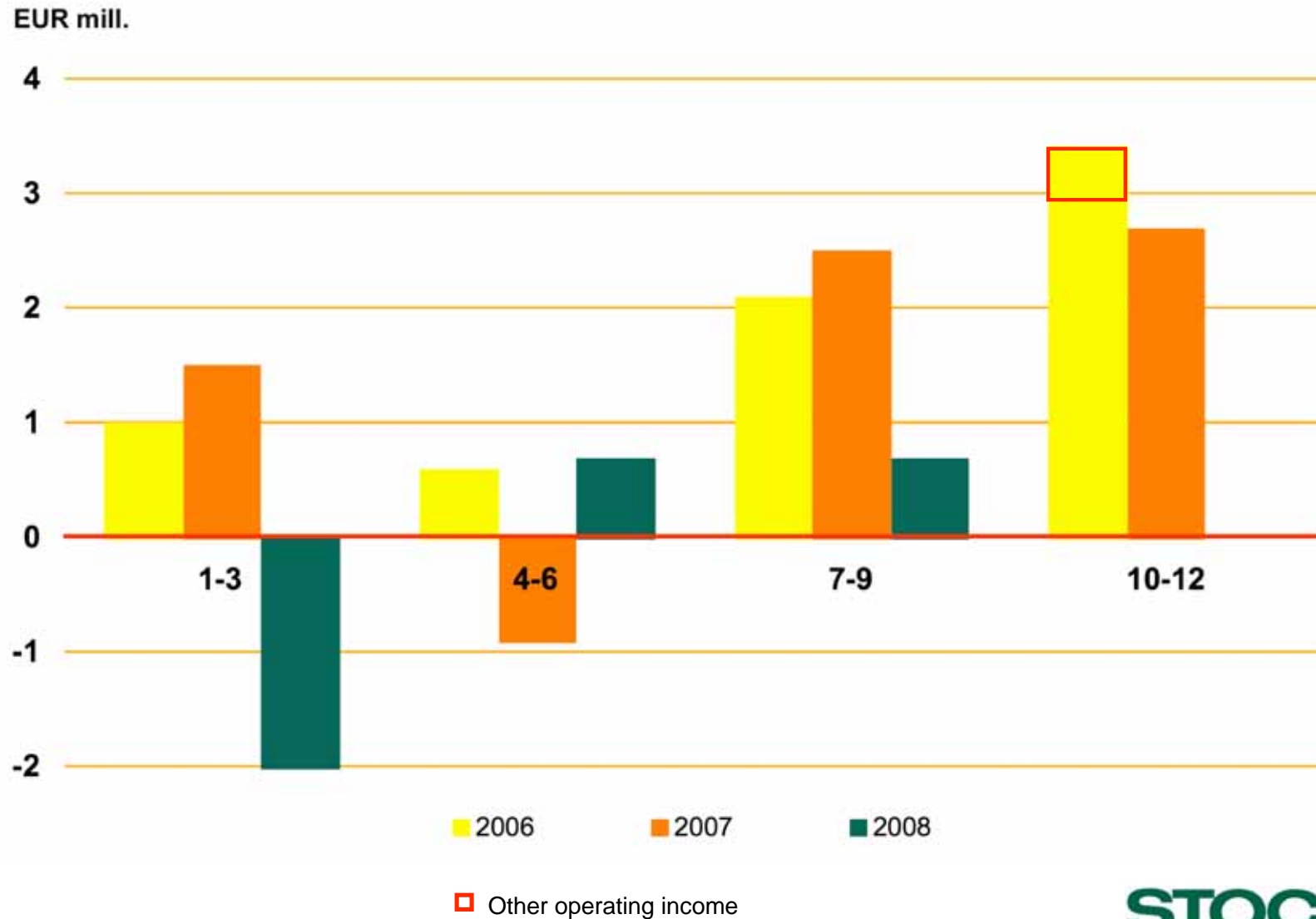
1-9/2008

- **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





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

Hobby Hall - Flo - Windows Internet Explorer provided by Stockmann

FLO

Flo 2in1-paita »
27,90

Flo-kynähome »
29,90

FLO

01:22

LO RES HI RES

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