

## Result - Financial responsibility 2012

Lindex is one of Europe's leading fashion chains, with sales in 469 stores in 16 countries.

Lindex's mission is to offer inspiring, affordable fashion and a world-class fashion experience. The product range includes clothing, accessories and cosmetics and includes several different concepts in women's wear, kids' wear and lingerie. These are sold through the company's 439 managed stores and 30 franchise outlets, and through the Lindex Shop Online service in all EU countries plus Norway. Lindex was founded in 1954 and its Head Office is located in Gothenburg, Sweden. In 2012 Lindex's turnover ran to EUR 670.9 million. Lindex's main markets are Sweden, Norway and Finland. Lindex is an important employer, with 4,856 employees as of the end of 2012.

### Lindex's international presence, countries and numbers of stores



### Ownership structure

Since September 2007, Lindex has been a wholly-owned subsidiary of the Stockmann Group whose parent company, Stockmann Oyj Abp, is listed on the Nasdaq OMX Helsinki stock exchange. The retail company Stockmann was founded in 1862 and now has over 15,000 employees. The Group's turnover for 2012 totalled EUR 2,116 million and it had 59,283 shareholders at 31 December 2012.

Financial information is published for Stockmann Group including Department Store Division and Fashion Chain Division, covering Lindex and Seppälä. All investor information is published on [www.stockmanngroup.fi](http://www.stockmanngroup.fi) in Swedish, English and Finnish. The parent company, the Department Store Division and Seppälä have their Head Offices in Helsinki.

Stockmann is part of the Kempen SNS Smaller Europe SRI (Social Responsible Investments) index for sustainable development maintained by the Dutch investment companies Kempen Capital Management and SNS Asset Management. The companies in the index are considered to achieve high ethical, social and environmental protection-related criteria in their business. Since 2010, Stockmann has been one of the companies in the OMX GES Finland Sustainability index. This Helsinki-based stock exchange index covers 40 leading companies within sustainable development in Finland.

## **Changes in organisation and management**

The organisation of the Stockmann Group was updated in the summer of 2012, with Lindex and Seppälä combining to form the new Fashion Chain Division. Göran Bille was appointed as Director of the Fashion Chain Division from June 2012, still remaining CEO of Lindex. Seppälä's CEO Nina Laine-Haaja reports to Göran Bille with effect from July 2012. She left the management team of the Stockmann Group on 31 December 2012.

The goal of the reorganization is to use the business unit's common competencies and exploit synergies to create better conditions for achieving a more successful business in the international market. Lindex and Seppälä separate brands will retain and continue to develop in line with respective identities.

## **Effective purchasing through dedicated production offices**

Lindex does not have any production units of its own but buys its goods from around 200 independent suppliers, with most of the production in Asia. Together with other companies in the Stockmann Group, Lindex has its own production offices in the major markets: China, Bangladesh, India, Pakistan and Turkey. About 88 per cent of the business of the production offices is related to procurement for Lindex, with the remaining 12 per cent accounted for by other companies in the Stockmann Group. Local production offices in the production countries mean proximity to both suppliers and factories, which has many advantages. A daily presence in the production countries, and locally employed staff, facilitate cooperation and strengthen relations with both suppliers and factories, making it possible to take advantage of local knowledge in an efficient manner.

## Lindex production offices



Read more about Lindex [here](#) and in the [Stockmann Annual Report](#) and the Stockmann Group's [CSR report](#).

## Sustainable profitability

Lindex takes financial responsibility by continuing to be a successful company that meets its shareholders' profit expectations. Lindex is a significant employer and taxpayer as well as a substantial product buyer, investor and business partner. Competitiveness and strong financial performance makes it possible to invest in the development of employees and community wellbeing. Accordingly, socially-responsible activities create a strong basis for the company's efficiency and financial growth.

Lindex is a wholly-owned subsidiary of the Stockmann Group whose parent company, Stockmann Oyj Abp, is listed on the Nasdaq OMX Helsinki stock exchange. Financial information for the parent company and the group as a whole and its business units is made public: Department Store and Fashion Chain divisions, including Lindex and Seppälä. All investor information is published on [the Stockmann group's website](#) in Swedish, English and Finnish. A summary of Lindex's financial development in 2012 is given below.

## Financial development in 2012

The unstable state of the European economy and the unresolved debt crisis created uncertainty in 2012 as in 2011. Especially in Sweden and Norway, Lindex's core markets, general market development

maintained a downward trend throughout the year. However, Lindex achieved slightly better performance than the general trend in the market and increased its market share in all markets except Norway.

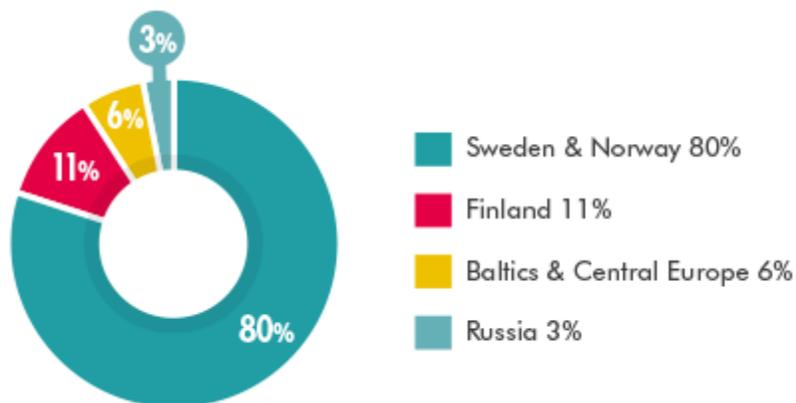
## Turnover

The Lindex Group's turnover for 2012 amounted to EUR 671 million, which represents an increase of 7.5%. A major reason for the increased turnover in EUR was a strengthening of the Swedish krona and the Norwegian krone. In local currency, the increase in turnover was 2.8 per cent. Sweden and Norway together accounted for 80 per cent of the total turnover, and turnover in the Swedish and Norwegian markets was on a par with the previous year. Lindex's growth remained strong in its newest markets in Russia and central and eastern Europe, and also made progress in the Baltic countries.

### Turnover 2012, 2011, 2010



### Turnover per market 2012 (excl. franchise)



### Successful developments in the range

In 2012, Lindex launched the new Holly & Whyte collection for women, modelled by the famous actress and model Gwyneth Paltrow. The Holly & Whyte collection was well received by Lindex customers and was a very popular collection that Lindex will continue to offer to its customers. Lindex is working for more sustainable fashion in the long term. As part of this work, Lindex decided in April 2012 to present the Affordable Luxury fashion collection in collaboration with the Swedish designer Ewa Larsson. A colourful collection made with a strong sense of fashion and focusing on environmental considerations, as

the collection consisted of garments made from recycled polyester and less environmentally harmful materials like Tencel®.

Lindex's most successful campaign during the year was the collection produced in collaboration with the fashion house Missoni. The collection, which was introduced at the end of September, sold out quickly both at Lindex Shop Online and in Lindex stores. 10 per cent of the total sales income from the campaign goes directly to the fight against breast cancer. Altogether the Missoni collection, together with other store activities and collection campaigns, brought in a donation of over EUR 1.8 million to the fight against breast cancer in the various countries in which Lindex operates.

Of all Lindex's concepts, kids' wear was the most successful in terms of sales in 2012. Sales of lingerie were on the same level as previous year, while sales of women's wear increased slightly compared to last year.

## Operating profit

Lindex's operating profit increased by EUR 9.8 million to reach EUR 51.0 million, largely thanks to strict cost control. The gross margin remained at a very good level thanks to fewer price reductions, and stood at 62.3 per cent.

### Operating profit 2012, 2011, 2010



## Financial value-added per interest group in 2012



## Continued international expansion and prospects for 2013

Lindex's growth strategy and strong business idea has made possible the fast and successful international expansion in recent years. This has come partly through own stores in the principal markets and partly through franchising stores in markets that Lindex would otherwise be unable to expand into. Lindex's successful expansion continued in 2012. At the end of the year, Lindex had a total of 469 stores in 16 countries.

A total of 21 Lindex stores opened in 2012: three in Sweden, five in Norway, two in Finland, one in Estonia, four in the Czech Republic, one in Poland and five in Russia. Five stores in the Nordic countries closed during the year. Franchise partnerships allowed Lindex to expand into two new countries in 2012: Serbia and Croatia. Five new franchise stores also opened in Saudi Arabia and the United Arab Emirates. At the end of the year there were altogether 30 franchise stores in six countries run by four business partners. The focus will be on expanding the network of stores in the future also. In 2013 Lindex will open around 20 new stores.

Since 2011 the Lindex range has been available in all EU markets plus Norway through [Shop Online](#), and further investments will be made as eCommerce is a major growth area for Lindex.

The unstable state of the European economy is expected to persist in 2013. The European debt crisis is creating uncertainty about the development of the retail market and will pose challenges to Lindex under 2013. In particular, the demand for women's wear is closely linked to consumer's purchasing power. Lindex will continue to invest in developing its fashion range and selection of inspiring and affordable

world-class fashion. Lindex's clear business idea, the fact that demand for lingerie and kids' wear is relatively insensitive to economic changes, continued development and focus on women's wear, a clear growth strategy and continued cost-consciousness all give Lindex the strength to tackle the challenges of 2013.

## Result of sustainable fashion

### Product safety

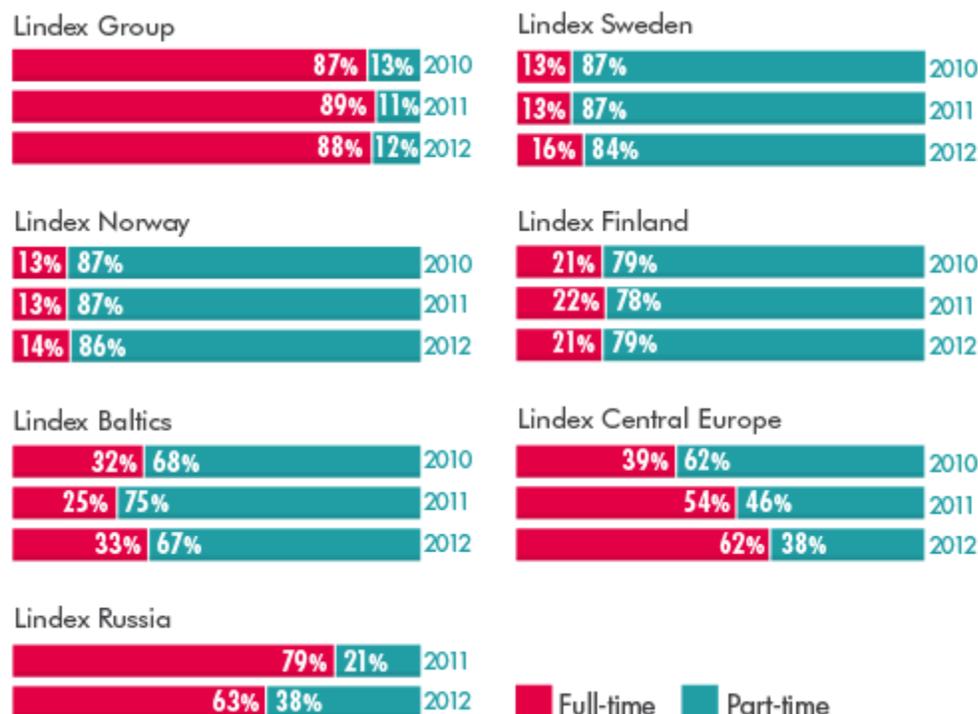
No products have had to be withdrawn from the customer in 2012

## Result social responsibility 2012

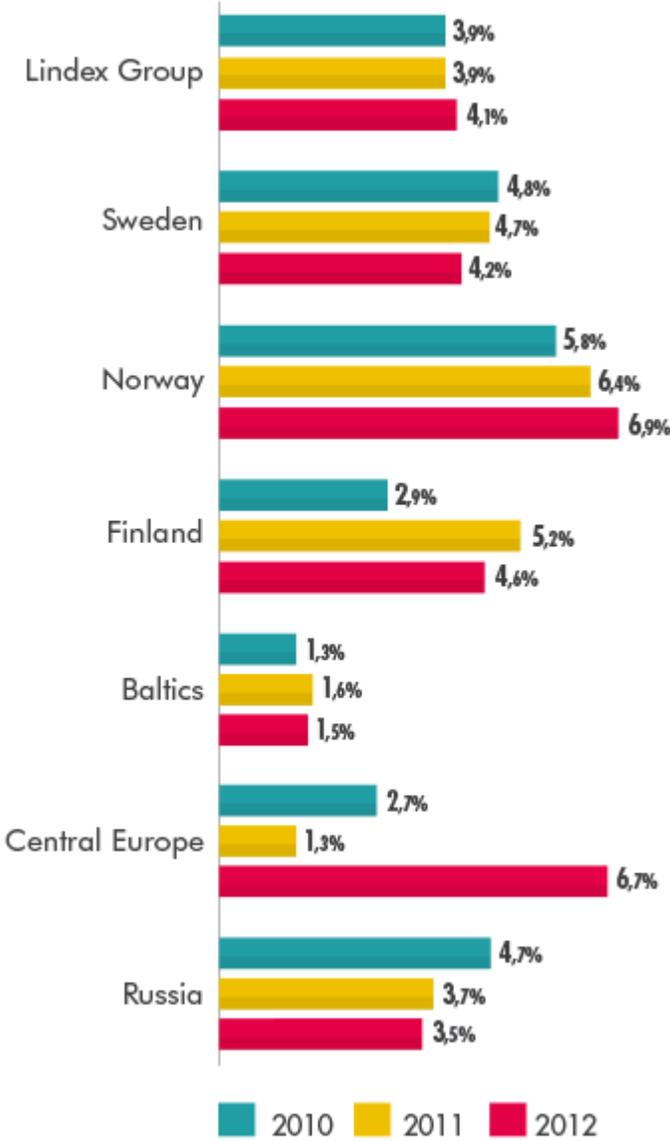
### Employees around the world

Our employees are found in many places around the world, mainly in Lindex stores in the current 16 markets: Sweden, Norway, Finland, Russia, Estonia, Latvia, Lithuania, Slovakia, Poland, the Czech Republic and franchise stores in a further six countries - Iceland, Bosnia-Herzegovina, Croatia, Serbia, Dubai and Saudi Arabia. Production offices are located in China, India, Bangladesh, Pakistan and Turkey.

As of 31 December 2012 Lindex had 4,856 employees, 28.5 per cent of them full-time and 71.5 per cent part-time. Roughly half of Lindex employees are employed in Sweden and the remainder in Lindex's other markets.



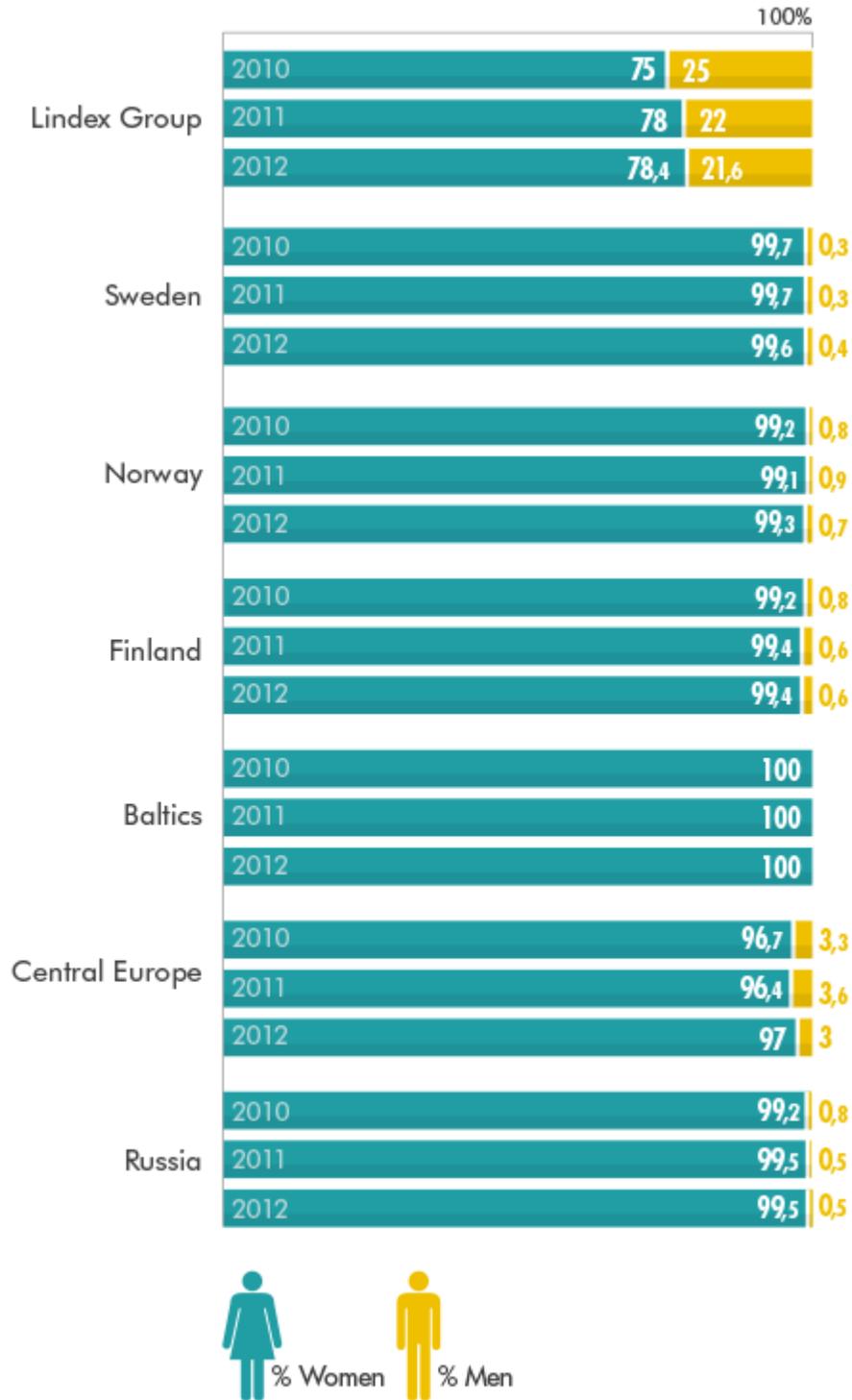
The primary reason for part-time positions is that Lindex prioritises being able to give customers the best service in the store's most attractive opening hours.



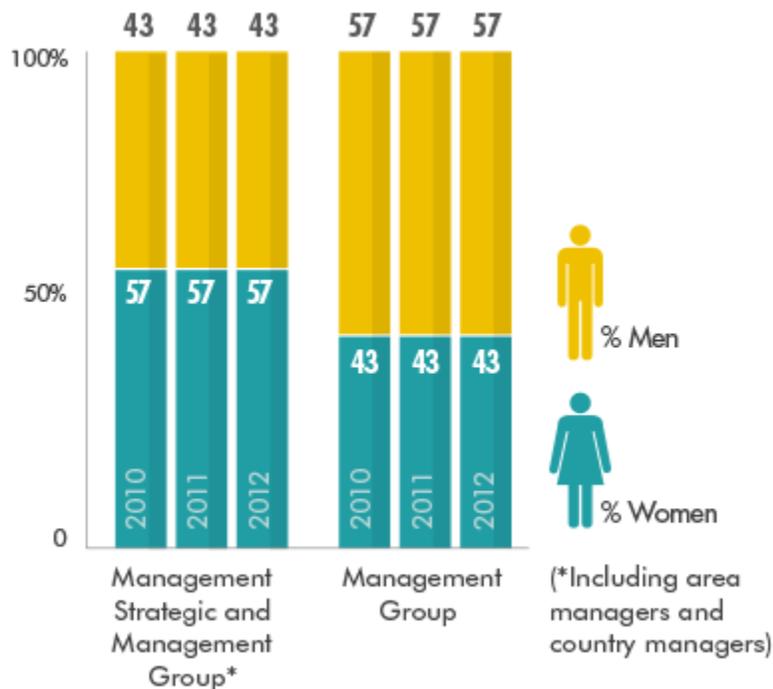
Lindex takes conscious preventive measures for employees' health and actively works to keep absence at a reasonable level.

### Diversity in the work place

Lindex is an international fashion company which views cultural diversity and equality as a competitive advantage that can also help to increase motivation and a sense of well-being among employees. We value and develop the work ethic and expertise of our employees, irrespective of age, gender, religion, sexual orientation or ethnic background, and we set out to be an attractive company for both women and men. Lindex works on the basis of an equality and diversity plan which is revised every three years.



Lindex believes in equal opportunities and values to be a company that is attractive to both women and men.



## Trade union cooperation

In markets where our employees have opted for unionisation, Lindex enjoys open and close cooperation with the union. In the Baltic states and Russia, union issues are dealt with by so-called Working Councils organised by Lindex's owner, Stockmann. Over the last year, Lindex has not experienced a single conflict or dispute with the relevant national union.

## Lindex Souls

Lindex Souls, a kind of "intrapreneurs", are employees picked out from within the company who work in an innovative way on a development area that is crucial to the company's success. The main aim is to enable concrete improvements which will help to achieve sales targets throughout the chain, from the purchasing department through to the stores. In 2012, 8 employees took part in Lindex Souls, and they were tasked to make a scenario for how, where and when Lindex meets the customer in 2020.

## Clear leadership

Lindex's vision of a world-class fashion experience can only be achieved through good leadership. This is why there is such emphasis on developing and supporting Lindex managers. Lindex values give us a clear vision of what it takes to be a manager. Based on this, all managers at Lindex underwent training in 2012 in management, communication, group processes and team-building.

## **Skills development**

Lindex employees are vital to the company's success. To attract new employees, retain them and help them develop, continuous skills development via in-house training courses and activities are offered. Every year we hold surveys with all permanent employees. 2012 saw a number of in-house initiatives and training courses, including in Service & Sales and eLearning.

In 2012, managers at Head Office attended around 12 hours of training on topics including management and environmental and employment law. Other staff at head office took around 8 hours of training in internal tools and working methods. These hours are an average based on the number of hours of training logged divided by the number of employees at Head Office.

## **Lindex's code of conduct work**

Lindex is aware of the risk of violations of the Code of Conduct and works actively in order to ensure that the code is complied with by all of our suppliers and factories. A combination of inspections, training and suspensions has resulted in progress over the year.

A total of 272 inspections were carried out at Lindex's suppliers in 2012; 241 initial inspections and 55 re-inspections. Lindex's own inspectors performed 154 of the inspections, and 118 were performed by external audit companies. Lindex inspectors are employed at our production offices, and they monitor that our suppliers comply with the BSCI code, do their own inspections and factory visits and conduct training. In addition to the factory inspections and training, every part of the supplier's operation is rated on a "supplier scorecard", which forms the basis for the development work.

## **Lindex Stop list**

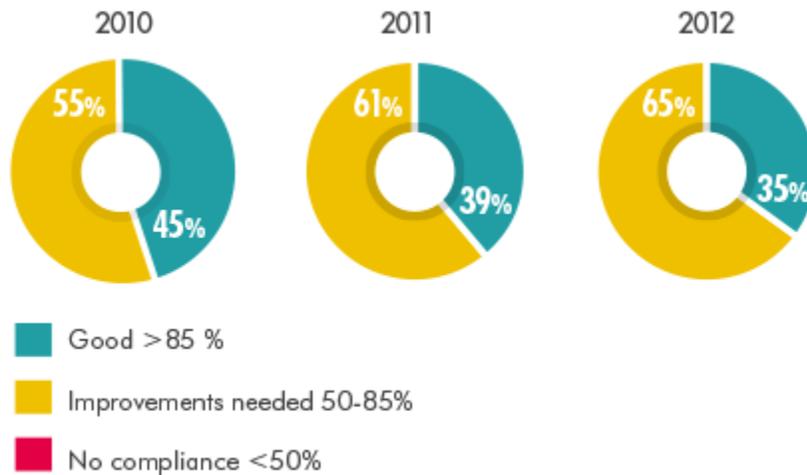
One factory was placed on the stop list in 2012 because of poor fire safety, which we take very seriously. During 2012 no cases of child labour were reported

## **Training events**

In 2012 a total of 54 training events were arranged for Lindex suppliers under the auspices of Lindex and BSCI. The training events focused mainly on the following: Chemicals, energy savings, health and safety, fire safety, dialogue and cooperation between employers and employees in the factories, Turkish law, overtime, subcontractor management.

## Result environmental responsibility 2012

### Environmental assessment at wet process factories



Since 2009, environmental inspections have been made in all wet process factories that are owned by Lindex's suppliers.

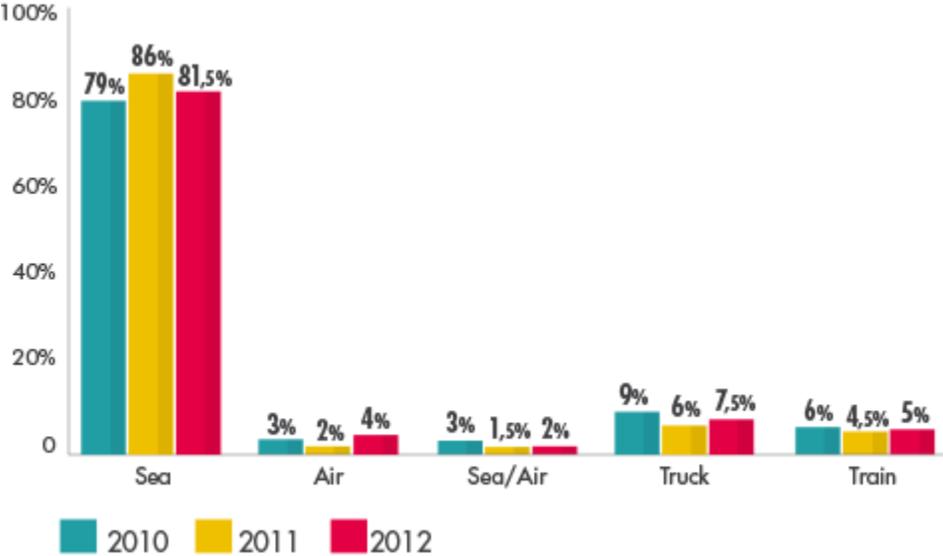
## Result sustainable transport

### Following up CO<sub>2</sub> for goods transport

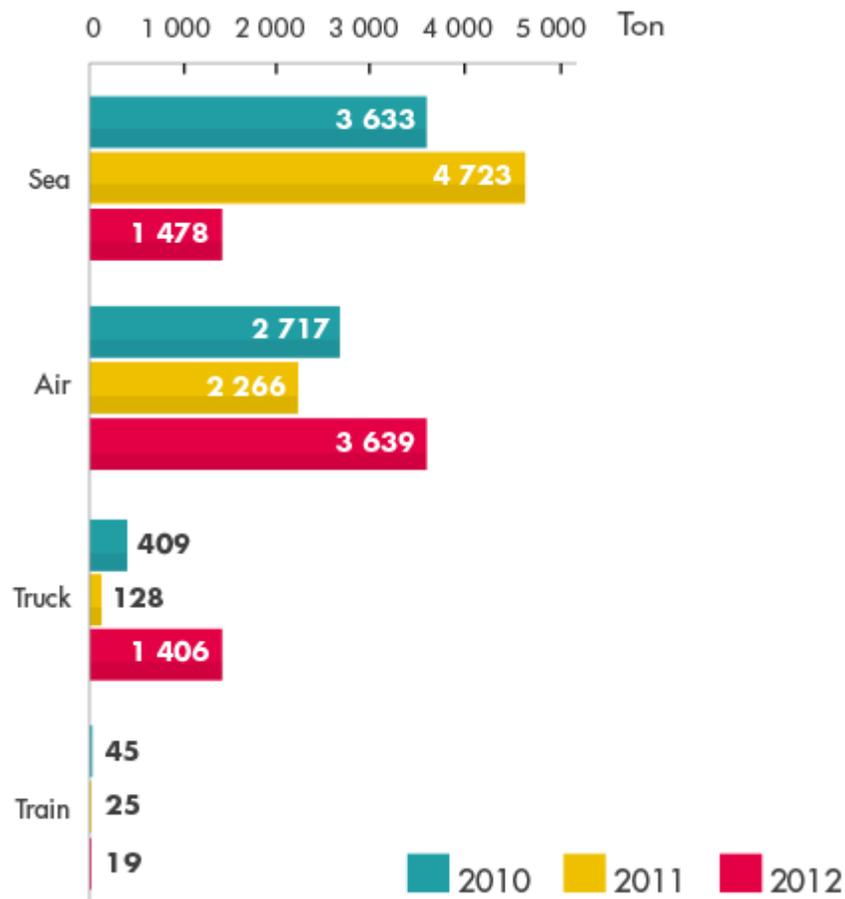
Each year, Lindex requests statistics concerning all shipments of Lindex goods, commercial products as well as non-commercial products. This applies to shipments from suppliers to the distribution centre, and shipments from the distribution centre to stores. In this way, the amount of CO<sub>2</sub> emissions attributable to our goods shipments can be monitored.

[Read more in our climate report](#) 

**Breakdown by mode of transport**



## CO<sub>2</sub> emissions by mode of transport



Lindex's total CO<sub>2</sub>e emissions include Scope 1, Scope 2 and Scope 3. Total emissions increased by 26.6% compared to 2011. The increase is largely due to the expansion of the business. New stores have been opened, goods have been transported to these stores and their energy consumption has been included in the figures. Other reasons for the increase are that Lindex transported more goods by air because of a shortage of goods in the stores, the way in which the figure is calculated differs from the previous year, and the emission factor for Nordic electricity increased from 99 g CO<sub>2</sub>/kWh to 122 g CO<sub>2</sub>/kWh (2012 compared to 2011).