AGENDA

STRATEGY & Q2 2016 PERFORMANCE GROUP AND STOCKMANN RETAIL – LAURI VEIJALAINEN
REAL ESTATE – BJÖRN TEIR
LINDEX – INGVAR LARSSON
HIGHLIGHTS IN Q2 2016

- Fifth consecutive quarter when the Stockmann Group’s operating result improved
- Lindex achieved its all-time high second quarter revenue and result: operating profit EUR 28.1 million (EUR 18.6 million)
- Stockmann’s own offering is now fully focused on fashion, beauty, home and food
- New attractive tenants coming on-board, such as the first Joe & the Juice bar in Finland
- Withdrawal from non-core businesses completed with the agreement of selling Hobby Hall as of 1 January 2017
- Lindex’s withdrawal from Russia completed in May 2016
- Outlook for 2016 remains unchanged: adjusted operating result is expected to be slightly positive
- Actions for sales growth and cost efficiency continue

Gross margin

54.5%  
(52.7%)

Operating result, EUR mill.

11.1  
(-4.1)
GROWTH BY FOCUSING ON KEY PRODUCT AREAS: NEW WOMEN’S ACCESSORIES IN HELSINKI FLAGSHIP

• High engagement product category inside the **largest product area**, fashion
• Modern inspiring **shopping environment**
• **Differentiation** from competition:
  • New premium brands in own selection, some not available earlier in Finland
  • Seasonal pop-ups (now Finnish brands Balmuir, Lumi and Marimekko)
  • Tenants complementing the selection: Longchamp and more to come
• **Omnichannel**: most of brands also available in stockmann.com store
TARGETING A POSITIVE EBIT FOR RETAIL IN 2018

**EFFICIENCY PROGRAMME**
- New support functions with personnel reductions in 2015 and spring 2016
- Supplier programme for improved gross margin
- Released store space to decrease rental costs
- Cost savings in indirect procurement

**NEW LEANER ORGANISATION**
- Headcount to be reduced with around 300 people in Finland
- A provision of EUR 5.8 million related to restructuring measures booked in Q2 2016

**NEW DISTRIBUTION CENTRE**
- Annual cost savings EUR 5.5 million, or EUR 3.5 including depreciation, in full in 2018
- In 2016, overlapping rental and other additional costs approx. EUR 2 million

**Savings**
- EUR 50 million by the end of 2016
- EUR 20 million in 2017
- EUR 5.5 million in stages from 2017
NEW LEANER STRUCTURE AND ORGANISATION

- Management Teams of the Stockmann Group and Stockmann Retail were merged in June
- Directors for Store Operations, Delicatessen, Supply Chain and Human Resources appointed
- Target is to considerably flatten the organisational structure, eliminate overlaps and simplify processes
- Codetermination negotiations initiated in June, to adjust the number of employees in line with the scope of current operations
- As a result, approximately 300 positions will be ended, most of them through lay-offs
- In addition, around 80 people from the support functions offered a new position as a sales assistant
- Number of department store sales assistants will not be reduced to ensure excellent customer service
- Negotiations concerned around 3 000 employees, and at the start of the negotiations, the reduction need was estimated to be around 380
- Goal is annual cost savings of approximately EUR 20 million, which will be achieved during 2017
GROUP’S FINANCIAL PERFORMANCE IN Q2 2016

- **Revenue** EUR 352.7 million (EUR 351.0 million)
  - In continuing product areas and businesses, revenue was up by 6.8%
  - Up 12.6% in Finland due to the timing of the Crazy Days campaign
  - Up 2.5% in other countries due to good growth in Lindex main markets

- **Gross margin** 54.5% (52.7%)
  - Gross margin continuously up

- **Operating costs** EUR 166.3 million (EUR 171.8 million)
  - Costs down despite a reservation of EUR 5.8 million for restructuring measures and overlapping warehouse costs

- **Depreciation** EUR 15.0 million (EUR 17.4 million)
  - Nevsky Centre treated as an investment property and not depreciated

- **Operating profit** EUR 11.1 million (EUR -4.1 million or the adjusted operating profit of EUR 2.5 million)
  - Excellent performance for Lindex
  - Operating result slightly up in Stockmann Retail
### KEY FIGURES

<table>
<thead>
<tr>
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<th>1–6/2016</th>
<th>1–6/2015</th>
<th>1-12/2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equity ratio</strong></td>
<td>%</td>
<td>46.0</td>
<td>44.6</td>
</tr>
<tr>
<td><strong>Gearing</strong></td>
<td>%</td>
<td>76.2</td>
<td>85.3</td>
</tr>
<tr>
<td><strong>Net financial costs</strong></td>
<td>EUR mill.</td>
<td>8.9</td>
<td>9.1</td>
</tr>
<tr>
<td><strong>Result for the period</strong></td>
<td>EUR mill.</td>
<td>-33.3</td>
<td>-59.3</td>
</tr>
<tr>
<td><strong>Earnings per share</strong></td>
<td>EUR</td>
<td>-0.50</td>
<td>-0.82</td>
</tr>
<tr>
<td><strong>Net earnings per share, including discontinued operations</strong></td>
<td>EUR</td>
<td>-0.35</td>
<td>-0.94</td>
</tr>
<tr>
<td><strong>Cash flow from operating activities</strong></td>
<td>EUR mill.</td>
<td>-20.9</td>
<td>-48.0</td>
</tr>
<tr>
<td><strong>Inventories</strong></td>
<td>EUR mill.</td>
<td>169.6</td>
<td>216.4</td>
</tr>
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<td><strong>Capital expenditure</strong></td>
<td>EUR mill.</td>
<td>19.5</td>
<td>26.2</td>
</tr>
<tr>
<td><strong>Depreciation</strong></td>
<td>EUR mill.</td>
<td>29.2</td>
<td>35.0</td>
</tr>
<tr>
<td><strong>Property, plant and equipment</strong></td>
<td>EUR mill.</td>
<td>1 003.6</td>
<td>1 012.3</td>
</tr>
<tr>
<td><strong>Balance sheet total</strong></td>
<td>EUR mill.</td>
<td>2 230.0</td>
<td>2 333.9</td>
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MARKET ENVIRONMENT AND OUTLOOK FOR 2016

- Economic situation continued to be uncertain in Finland: low consumer purchasing power, retail market environment continued to be weak
- Relatively stable development expected in Sweden, Norway and the Baltic countries
- Overall increasing competition in all markets
- Weak outlook for Russia which may have a negative impact on rental income and occupancy rate in Stockmann’s Russian real estate operations

- Stockmann Group’s revenue for 2016 is expected to be down on 2015 due to on-going strategic actions in order to improve profitability
- The adjusted operating result is expected to be slightly positive in 2016.
- Capital expenditure re-estimated to be approximately EUR 40-45 million which is around EUR 20 million less than the estimated depreciation for 2016
Focus on first-class customer experience in fashion, beauty, food and home products

Improving selection in key product areas
- Major changes in product areas are completed
- New premium brands in selection
- Seasonal pop-up shops

New stockmann.com
- Revamped online store to be launched in the second half of 2016
- New features in stages, e.g. online availability for goods in department stores

Refurbishing store premises
- Women’s accessories and home departments in Helsinki flagship
- Delicatessen in Turku
- New fifth floor in Tallinn
- New Tapiola store in 2017
STOCKMANN RETAIL IN Q2 2016

- **Revenue** EUR 168.7 million (EUR 169.2 million)
  - Revenue up 10.8% in continuing product areas and businesses due to the timing of the Crazy Days campaign in Finland

- **Gross margin** 40.2% (40.2%)
  - Excluding the effect of the Crazy Days campaign, gross margin was up

- **Operating costs** EUR 84.3 million (EUR 85.7 million)
  - Costs down despite a reservation of EUR 5.8 million for restructuring measures and overlapping warehouse costs

- **Operating result** EUR -20.5 million (EUR -21.8 million)
  - Department store business: EUR -18.1 million (EUR -20.9 million)
  - Hobby Hall: EUR -2.4 million (EUR -0.9 million)
BROADENING OFFERING IN THE DEPARTMENT STORES

• RECENT OPENINGS
  – Isku-Valliška-Värisilmä home decoration shop in the Helsinki Book Building
  – UMA Esplanadi co-working place operated by Techopolis in the Helsinki Book Building
  – Smörre Gastrobar in Helsinki flagship store
  – Rebranded Power electronics shops in Helsinki, Turku and Tampere
  – Longchamp accessories shop in the Helsinki flagship store

• NEW SHOPS TO OPEN IN HELSINKI FLAGSHIP
  – Polarn o. Pyret children’s clothing in September
  – White Dress wedding service in September
  – Westerback watches and jewellery in November
  – Joe & The Juice bar to before Christmas

• OTHER SHOPS and SERVICES
  – Westerback to Itis, Jumbo, Tapiola, Tampere and Turku during 2016-2017
  – Zucchini and Chat restaurants and Melior wellbeing clinic in Tallinn in October
  – Laiks watch & accessories, optician, bookstore and barber shop in Riga in October
REAL ESTATE IN Q2 2016

- **Fair value** of the properties
  - 1 January 2016: EUR 918.2 million
  - 30 June 2016: EUR 909.5 million
  - Nevsky Centre treated as an investment property and not depreciated

- **Occupancy rate** 96.7% (99.2%)
  - Lower occupancy rate in Tallinn due to renovation of the fifth floor

- **GLA** in own properties: 53% used by Stockmann Retail (74%)
  - Decline due to transfer of the department store in Nevsky Centre to a new owner

- **Net operating income** from Stockmann-owned properties EUR 10.2 million (EUR 12.5 million)
  - Decline partly due to timing of operating expenses in 2015
  - Net rental yield 4.9% (5.4%)
  - Average monthly rent EUR 33.35 per sqm (EUR 33.37)

- **Revenue** EUR 14.7 million (EUR 15.2 million)
  - Decline mostly due to temporary rent adjustments in Nevsky Centre

- **Operating profit** EUR 5.4 million (EUR 5.5 million)
LINDEX
HIGHLIGHTS IN Q2 2016

• Lindex achieved its all-time high Q2 revenue and result
  – Operating profit up EUR 9.5 million

• Successful collections and campaigns
  – Positive sales development particularly in Sweden, Norway and Finland
  – Greater clarity in women’s wear concept and collections
  – Successful extension of the size range for the Holly & Whyte concept

• Great progress in sustainability
  – Increased amount of sustainable garments by 64% in 2015
  – 42% of the garments now made of sustainable materials
INTERNATIONAL EXPANSION

- Store network on 30 June 2016:
  - 479 stores in 17 countries,
  - of which 38 franchising stores
  - 2 new stores opened in Q2 2016
  - 6 stores closed in Q2 2016

- Target for 2016:
  - Total number of stores to decline
  - All stores in Russia now closed
LINDEX IN Q2 2016

- **Revenue** up 0.6% to EUR 175.6 million (EUR 174.6 million)
  - At comparable exchange rates up 3.4%, or 4.3% in comparable stores
  - All-time high sales in Q2

- **Gross margin** 65.0% (62.9%)
  - Increase due to lower markdowns and the timing of the mid-season sale, as well as healthier stock composition

- **Operating costs** down by EUR 4.5 million
  - Lower store and office costs
  - Closure of the remaining operations in Russia

- **Operating profit** EUR 28.1 million (EUR 18.6 million)
STRONG AUTUMN CAMPAIGNS TO COME

- Women’s wear **Fall Fashion Heroes**, including an extended size range for all concepts
- **Own design collection** in October where 10% of sales goes to the fight against breast cancer
- Introduction of **Holly & Whyte for kids** wear
FURTHER INFORMATION:
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