Stockmann Group in brief

- International multichannel retailer founded in 1862
- Listed on Nasdaq Helsinki since 1942
- Three business divisions: Lindex, Stockmann Retail and Real Estate

Key figures 2017

- Revenue EUR 1 055.9 million
- Adjusted operating result EUR 12.3 million
- Personnel average 7 360
- Shareholders approx. 47 000
ALMOST 500 STORES ACROSS EUROPE

3 divisions in 19 countries:

- 484 Lindex fashion stores,
- 8 department stores and
- 4 real estate properties

Group’s purchasing offices are located in Bangladesh, China, India, Pakistan and Turkey.
STRATEGY FOCUSED ON CORE STRENGTHS

- **Brand focus on Stockmann & Lindex**: Divestments of Seppälä, Academic Bookstore and Hobby Hall
- **Geographic focus on Nordic & Baltic countries**: Exit from retail business in Russia
- **Merchandise focus on fashion, beauty & home**: Divestment of Stockmann Delicatessen in Finland, Expanding the offering with partner products
- **Targeting a seamless omnichannel experience**: Increase resources in digitalisation in Stockmann and Lindex, Expand food and service experiences in all department stores, Introduce partners to complement the offering also online
REVENUE IN 2017

MERCHANDISE SALES 2017

- Fashion: 80%
- Cosmetics: 10%
- Home: 6%
- Food: 4%

All figures excluding discontinued operations

REVENUE 2017 BY DIVISION

- Stockmann Retail: 38%
- Lindex: 56%
- Real Estate: 6%

REVENUE 2017 BY MARKET

- Finland: 38%
- Sweden and Norway: 45%
- Baltics, Russia and other countries: 17%
Q2 2018 IN BRIEF

- **Stockmann Group**
  - Adjusted operating result up by EUR 9.3 million
  - Strong performance at Lindex

- **Lindex**
  - Comparable sales up 4.5%, gross margin up by 3.1 %-points
  - Adjusted operating result up by EUR 8.3 million

- **Stockmann Retail**
  - Revenue down, but gross margin remained on a good level
  - Operating result down by EUR 1.0 million

- **Real Estate**
  - Book House property in Helsinki sold in May with a capital gain of EUR 7.0 million
  - Solid performance, several new restaurants opened during the quarter
  - Investigations regarding a possible divestment of Nevsky Centre actively continue
STOCKMANN GROUP, FINANCIAL PERFORMANCE* IN Q2 2018

- **Revenue** down by 0.6%, to EUR 279.4 million (281.3)
  - Up in Lindex and Real Estate, down in Stockmann Retail
  - Weakened SEK exchange rate had a negative impact on the revenue

- **Gross margin** 58.2% (56.1%)
  - Up in Lindex due to successful, renewed collections
  - Slightly down in Stockmann Retail due to higher markdowns in the summer clearance sales

- **Operating costs** including adjustments EUR 125.0 million (128.4)

- **Adjusted EBITDA** EUR 37.7 million (29.5)

- **Depreciation** EUR 13.9 million (14.9)

- **Adjusted operating profit** EUR 23.8 million and reported operating profit EUR 29.6 million (14.6)

- **Result for the quarter** EUR 8.0 million (-1.1)

*Continuing operations. Delicatessen in Finland, which was divested on 31 December 2017, is reported as discontinued operations and not included in the presented figures.*
THREE BUSINESS DIVISIONS
LINDEX: A WORLD-CLASS FASHION BRAND

• **Inspiring and affordable fashion** for women
  – Several concepts in women’s and kids’ wear, lingerie and cosmetics

• Established in **1954** in Sweden
  – Part of Stockmann Group since December 2007

• Strong position in Sweden, Norway and Finland
  – Nordic markets generate around 90% of total revenue

• Strong focus on **sustainability**
  – More than 50% of Lindex clothes are made of more sustainable materials

• **Profitability Improvement Programme**
  – Aim to reduce costs and increase the gross margin
  – Strong focus on sales and profit improvement

• Focus and investment in the **e-commerce**

• **Susanne Ehnbåge** started as Lindex new CEO in August

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<td>STORES</td>
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<td>OPERATING RESULT 2017</td>
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(2016: 54.9)
LINDEX STORE NETWORK

- **Store network on 30 June 2018**
  - 484 stores in 18 countries, of which 44 franchising stores
  - 6 stores opened and 8 closed in Q2 2018

- **Stores & markets in 2018**
  - Focus on optimising store locations
  - Unprofitable stores will either move to new locations or close down
  - Some new store openings in attractive locations will be opened

- **Total number of stores at year-end**
  - Estimated to decrease by over 20 stores

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Number of stores by type:

- **Own stores**
  - 205
- **Franchising stores**
  - 29

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Map showing store locations by country.
STOCKMANN RETAIL: A PREMIUM SHOPPING EXPERIENCE

- Offering a **premium omnichannel** shopping experience in all department stores, complemented by the online store and digital services

- Selection focused on **fashion**, **cosmetics** and **home products**
  - Constantly renewing selection with new leading-edge brands and pop ups
  - Partners complete the offering with products (food, toys, electronics, jewellery, books, outdoor gear etc.) and services (cafés, hair and beauty salons etc.)

- Actions to improve **customer service**

- **Focusing on digital** in 2018
  - Online is Stockmann’s fastest growing sales channel
  - Revenue growth by over 15% in 2017
  - Stockmann will recruit 30-40 digital specialists in 2018

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DEPARTMENT STORES: **8**

COUNTRIES: **3**

REVENUE 2017: **410.2 EUR MILLION**

OPERATING RESULT 2017: **-20.6 EUR MILLION**

(2016: -39.1 restated)
Best brand selection in town by Stockmann and partners.

Offering includes a broad range of shops, pop ups, cafés, restaurants, beauty and health services etc.

Approx. 12 million visitors in 2017

Sales over EUR 300 million in 2017
REAL ESTATE: PROFESSIONAL PROPERTY MANAGEMENT

• Increasing the value of the Stockmann-owned properties by improving cash flows
  – Long-term investments in order to develop the value of the properties

• Strengthening Stockmann’s offering with goods and services from attractive tenants
  – Complements the Stockmann product offering
  – Brings the customers new shopping experiences

• Providing professional and cost-effective property and facility management
  – Supporting the business of all tenants
  – Security operations established as an own subsidiary, offering security services in all Finnish department stores

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REAL ESTATE, STOCKMANN-OWNED PROPERTIES

Key figures
30.6.2018
Gross leasable area (GLA) 134 000 sqm, of which 38% in Finland
Occupancy rate 99.4%

Helsinki department store
Occupancy rate 99.8
GLA 51 000
Usage by Retail 67%

Tallinn department store
Occupancy rate 98.0
GLA 22 000
Usage by Retail 82%

Riga department store
Occupancy rate 100.0
GLA 15 000
Usage by Retail 86%

Nevsky Centre, St Petersburg
Occupancy rate 99.6
GLA 46 000
Usage by Retail 0%

Fair value of properties
30.6.2018, EUR million
863.3
• Department store properties EUR 682.3 million
• Nevsky Centre EUR 181.0 million

Usage by Stockmann Retail
30.6.2018
• 73% in department store properties: Helsinki, Tallinn, Riga
• 48% in all own properties
DRIVING CHANGE
AT STOCKMANN
RETAIL IS INFLUENCED BY CHANGES AND NEW TRENDS

- Changing consumer behaviour
- Digitalisation
- Challenging economic environment
- Increasing competition
- Accelerating operational speed
OUR VISION

We want to be our customers’ #1 source of inspiration for modern, urban life.
STOCKMANN #1 FASHION STORE IN THE HELSINKI AREA

% of customers in the Helsinki metropolitan area, April 2017 – March 2018

STOCKMANN

WOMEN

MEN

Stockmann
Hennes & Mauritz
Prisma
Sokos
K-Citymarket
Tokmanni
Intersport
Stadium
Lindex
XXL
Zalando
Cubus
Kapp Ahl
Halenen
Kookenkä
Vero Moda
Gina Tricot
Bik Bok
Budget Sport
Marimekko

Stockmann
Dressman
Prisma
Intersport
Tokmanni
K-Citymarket
XXL
Halenen
Zalando
Stadium
Sokos
Budget Sport
Hennes & Mauritz
Kookenkä
Jack & Jones
Partioaitta
Scandinavian Outdoor
Varusteleka
Amazon
Marimekko

Source: Federation of Finnish Commerce
STRONG FOCUS ON DIGITAL DEVELOPMENT

• Online is Stockmann’s **fastest growing** sales channel

• **56% growth in selection buyable at stockmann.com**
  - Now 60,000 product items (8/2017: 39,000)
  - Target to significantly increase the number by the end of 2018

• **Quicker delivery times** and new delivery partners
  - Now over 2000 pick-up points (Matkahuolto, Posti and Schenker)
  - Click & Collect in department stores
  - 70% of stockmann.com orders sent within 24 hours

• **Reserve & Collect service** in all department stores in Finland
  - **95% of selection** in Helsinki flagship can already be reserved (8/2017: 60%)

• Investments in **omnichannel** continue to strengthen competitiveness
  - Increased resources in selected digital areas
  - Stockmann’s ICT and Marketing & Digitalisation merged in June

• Goal is a **seamless premium shopping experience**
Q&A

Further information
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