INTERIM REPORT
Q1 2019

Lauri Ratia, Executive Chairman
Stockmann Group | 30 April 2019
• Stockmann Group’s largest division, Lindex, is estimated to continue its steady performance

• Strategy reworked for Stockmann Retail and Real Estate during March-April 2019

• Starting a two-year process, of which Stockmann’s customers will see the outcome gradually

• Changing fashion, beauty and home selections to be more premium and high-quality, and securing excellent customer service

• Digital acceleration remains in high focus

• Creating inspiring store experiences, particularly in Helsinki flagship

• Strategic actions aim at returning Stockmann Retail to a growth trajectory by 2021
NEW SUSTAINABLE BUSINESS MODEL

• Substantial change to be made in Stockmann’s **business model** with a new simplified organisational structure

• Aiming to **reduce costs** by at least EUR 40 million by spring 2021, of which a major part will be visible already in the 2020 result

• More than 2/3 of cost savings estimated to come from non-personnel costs and less than 1/3 from personnel costs

• Personnel **codetermination negotiations** to start in Finland, affecting approximately 1 600 persons.

• A maximum of 160 positions may be reduced. **Sales staff** in department stores will **not be reduced** in the negotiations
Stockmann Retail and Real Estate are planned to be combined. Role of categories is planned to be strengthened.

Both divisions have a clear management structure and P&L responsibility, with own support functions and no shared group functions.

Corporate Management consists of CEO, CFO and CLO (shared with the Stockmann division).
Q1 2019 IN BRIEF

• **Stockmann Group**
  - Adjusted operating result improved
  - Interest-bearing net debt nearly halved, from EUR 801.8 million to EUR 457.1 million

• **Lindex**
  - Comparable sales up by 2.8%, growth in the online store 41%
  - Improved gross margin and operating result

• **Stockmann Retail**
  - Revenue up by 15.4% due to timing of the Crazy Days campaign in Finland
  - Gross margin down, but operating result up

• **Real Estate**
  - Divestment of Nevsky Centre closed in January 2019
  - Revenue and operating result declined due to the property divestments

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Group’s gross margin

53.2%

(55.1)

Group’s adjusted operating result, EUR mill.

-20.6

(-24.8, or -29.3 excluding Nevsky Centre)
STOCKMANN GROUP

Kai Laitinen
CFO
STOCKMANN GROUP, FINANCIAL PERFORMANCE IN Q1 2019

- **Revenue** EUR 207.2 million (202.4)
  - Up by 4.2% in comparable currency rates

- **Gross margin** 53.2% (55.1)
  - Up in Lindex but down in Stockmann Retail

- **Operating costs** down by EUR 26.6 million
  - Decrease mainly due to IFRS 16

- **Adjusted EBITDA** EUR 14.8 million (-10.6)

- **Depreciation** EUR 35.4 million (14.2)
  - Increase due to IFRS 16

- **Adjusted operating result** EUR -20.6 million (-24.8 or -29.3 excluding Nevsky Centre)
  - IFRS 16 items EUR 3.8 million

- **Reported operating result** EUR -21.4 million (-26.9)

- **Result for the quarter** EUR -32.4 million (-30.9)
GROUP’S ROLLING 12-MONTH ADJUSTED OPERATING PROFIT

* 2015 includes Delicatessen in Finland
## IMPACT OF IFRS 16

<table>
<thead>
<tr>
<th>EUR million</th>
<th>Reported Q1/2019</th>
<th>IFRS 16 items Q1/2019</th>
<th>Excluding IFRS 16 items Q1/2019</th>
<th>Reported Q1/2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>207.2</td>
<td>-0.5</td>
<td>207.8</td>
<td>202.4</td>
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<tr>
<td>EBITDA</td>
<td>14.0</td>
<td>25.5</td>
<td>-11.5</td>
<td>-12.6</td>
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<tr>
<td>Adjusted EBITDA</td>
<td>14.8</td>
<td>25.5</td>
<td>-10.7</td>
<td>-10.6</td>
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<tr>
<td>Depreciation</td>
<td>35.4</td>
<td>21.7</td>
<td>13.7</td>
<td>-14.2</td>
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<tr>
<td>Operating result (EBIT)</td>
<td>-21.4</td>
<td>3.8</td>
<td>-25.2</td>
<td>-26.9</td>
</tr>
<tr>
<td>Adjusted operating result (EBIT)</td>
<td>-20.6</td>
<td>3.8</td>
<td>-24.4</td>
<td>-24.8</td>
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<tr>
<td>Net financial expenses</td>
<td>13.8</td>
<td>6.7</td>
<td>7.1</td>
<td>8.7</td>
</tr>
<tr>
<td>Net result</td>
<td>-32.4</td>
<td>-2.2</td>
<td>-30.1</td>
<td>-30.9</td>
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<tr>
<td>Assets</td>
<td>2,186.6</td>
<td>532.1</td>
<td>1,654.5</td>
<td>2,044.0</td>
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<tr>
<td>Interest-bearing net debt</td>
<td>990.4</td>
<td>533.3</td>
<td>457.1</td>
<td>801.8</td>
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<tr>
<td>Cash flow from operating activities</td>
<td>-20.1</td>
<td>18.8</td>
<td>-38.9</td>
<td>-58.8</td>
</tr>
</tbody>
</table>
### Key Figures

<table>
<thead>
<tr>
<th></th>
<th>Q1/2019</th>
<th>Q1/2018</th>
<th>1-12/2018</th>
</tr>
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<tbody>
<tr>
<td>Equity ratio</td>
<td>%</td>
<td>36.7</td>
<td>41.6</td>
</tr>
<tr>
<td>Net gearing</td>
<td>%</td>
<td>123.7</td>
<td>94.4</td>
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<tr>
<td>Net financial items*</td>
<td>EUR mill.</td>
<td>-13.8</td>
<td>-8.7</td>
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<tr>
<td>Result for the period*</td>
<td>EUR mill.</td>
<td>-32.4</td>
<td>-30.9</td>
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<tr>
<td>Earnings per share*</td>
<td>EUR</td>
<td>-0.47</td>
<td>-0.45</td>
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<tr>
<td>Cash flow from operating activities</td>
<td>EUR mill.</td>
<td>-20.1</td>
<td>-58.8</td>
</tr>
<tr>
<td>Inventories</td>
<td>EUR mill.</td>
<td>164.8</td>
<td>182.6</td>
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<tr>
<td>Capital expenditure</td>
<td>EUR mill.</td>
<td>6.5</td>
<td>7.8</td>
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<tr>
<td>Depreciation, amortisation and impairment losses</td>
<td>EUR mill.</td>
<td>35.4</td>
<td>14.2</td>
</tr>
<tr>
<td>Balance sheet total</td>
<td>EUR mill.</td>
<td>2 186.6</td>
<td>2 044.0</td>
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* Continuing operations.
MARKET ENVIRONMENT AND OUTLOOK FOR 2019

• Retail growth is estimated to decline somewhat in Finland due to economic slowdown in Finland
  – Fashion market in Finland in January–March was +2.7%
    (Q1 2018: -2.3%, source: Fashion and Sport Commerce Association, TMA)

• Retail growth is expected to continue in Sweden
  – Fashion market in January–March was -0.2% (Q1 2018: -5.7%, source: Swedish Trade Federation, Stilindex)

• In the Baltic countries, the outlook for the retail trade is expected to be better than that for the Stockmann Group’s other main market areas

• **Guidance for 2019 (updated 24 April 2019):**
  Stockmann expects the Group’s adjusted operating profit, excluding Nevsky Centre but including the impact of IFRS 16, to be on a par with 2018
LINDEX

Susanne Ehnbåge
CEO
LINDEX, PERFORMANCE IN Q1 2019

FINANCIALS

- **Revenue** down by 0.3% to EUR 114.5 million (114.8)
  - Total sales in comparable currencies increased by 4.2%
  - Comparable sales increased by 2.8%
  - Online sales increased by 41%
- **Increased gross margin** 59.2% (57.7)
- **Operating costs** down by EUR 1.8 million
- **Operating result** EUR -12.6 million (-16.2, or adjusted -15.9)

HIGHLIGHTS

- Successful start for new **sustainable baby assortment**
- **Brand building** spring campaign
  - New long-term concept ‘Your Smart Wardrobe’
- **Store network** on March 31 2019
  - 467 stores in 17 countries, of which 40 franchising stores
LINDEX WAY FORWARD

• Continued sales growth and **profitability improvement** in focus

• High focus on **e-commerce** and **digital development**
  – Release of new e-commerce platform
  – Launch new online partnerships
  – Moving into new e-commerce warehouse premises

• Inspiring summer collection in **design collaboration with By Malina**

• Expansion to **new franchising markets**

• Launch of a new **sustainability promise** – making a difference for future generations

• **New Management Group** appointments
  – Caroline Öhgren, Director of Sales
  – Annika Elfström, CIO
  – Johan Engen, Director of Logistics
STOCKMANN RETAIL

Tove Westermarck
Chief Operating Officer
FINANCIALS

- **Revenue** EUR 88.0 million (76.3)
  - Revenue up by 15.4%
  - Growth in the online store 119% due to the Crazy Days campaign
  - Total Crazy Days campaign sales (March-April) down by 6%, despite online growth of 12%

- **Gross margin** 43.0% (44.7)
  - Down mainly due to the effect of the Crazy Days campaign

- **Operating costs** up by EUR 0.4 million
  - Personnel and support function costs declined but rents were up

- **Operating result** EUR -11.5 million (-17.2)

HIGHLIGHTS

- Digital acceleration proceeds well
  - Continuous *widening of online* assortment: 40 new brands during the spring

- New *sustainable brands* introduced: EcoAlf, Freedom Moses, Kaiko
DEMAND IS SHIFTING

Channels

- Online growth
- Direct consumer contact

Products

- Trading up or down
- Casualization
- Demand for newness
- Demand for sustainability
- Demand for personalization

Consumer expectations

- Finnish ecommerce penetration in apparel 11% in 2018, forecasted to increase to 24% by 2023
- Brands seek to establish direct consumer contact
- Consumers increasingly either trade down for value or trade up for quality
- Trend towards more casual dress code
- Increased demand for fresh assortment, e.g. some fashion chains with 24 releases per year
- Consumer demand for sustainable and ethical fashion
- Consumer expects personalized engagement; patience for mass approach is decreasing

30.4.2019
STOCKMANN RETAIL’S WAY FORWARD

Targeting a Fashion & Style authority position

• Clear focus on a core target customer, modern working professional

• Reset Fashion, Home and Beauty offering
  – Strengthen the **premium selection** – our promise: **inspiring quality**
  – Create **newness** with relevant, sustainable and unique brands
  – Target is to create a category-driven business and organisation

• Accelerate digital shopping channel
  – Continue widening online assortment
  – Launch the Stockmann **Marketplace** during Q2
  – Build new partnerships to accelerate digital and omnichannel sales

• Create inspiring store experiences
  – Focus on high-quality **customer service**
  – Invest in **Helsinki flagship** and give space to new traffic-driving purposes
  – Review **locations and space** in each department store – there is market potential in every current department store city for a premium concept
  – Plan is to combine Stockmann Retail and Real Estate, enabling more coherent customer experience
REAL ESTATE

Elena Stenholm
Director, Real Estate
REAL ESTATE, FINANCIAL PERFORMANCE IN Q1 2019

FINANCIALS

• **Revenue** EUR 11.8 million (17.9)
  – Down due to the divestment of the Book House property in Helsinki and the Nevsky Centre property in St Petersburg

• **Net operating income** from own properties EUR 8.5 million (13.2)
  – Average monthly rent EUR 37.74 per sqm (38.60)

• **Occupancy rate** of own properties 98.9% (99.4)

• **Adjusted operating profit** EUR 2.4 million (7.5, or 3.0 excluding Nevsky Centre)
  – Reported operating profit EUR 1.6 million (7.5), includes an adjustment of EUR -0.8 million related to the sale of Nevsky Centre

HIGHLIGHTS

• **Nevsky Centre** in St Petersburg sold in January

• Revamped **Food Market Herkku** opened in Stockmann Tapiola and Itis department stores
REAL ESTATE, STOCKMANN-OWNED PROPERTIES IN Q1 2019

- **Fair value** of the department store properties: EUR 681.0 million (1 January 2019)
- **Gross leasable area** (GLA) 88,000 sqm, of which Stockmann Retail is using 73%
- **Occupancy rate** 98.9%
- **Target** is to give more space to traffic-driving purposes, e.g. increase food & beverage offering further

Helsinki flagship property
Occupancy rate 98.9%
GLA 51,000 sqm
Usage by Retail 66%

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

Riga department store property
Occupancy rate 100.0%
GLA 15,000 sqm
Usage by Retail 86%
Q&A

Further information
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