Q3 2018 IN BRIEF

**Group’s gross margin**

- **58.7%**
  (56.2)

**Group’s adjusted operating result, EUR mill.**

- **5.9**
  (-1.4)

- **Stockmann Group**
  - Adjusted operating result up by EUR 7.3 million
  - Lindex nearly doubled its operating profit to EUR 10.8 million

- **Lindex**
  - Comparable sales up 2.7%, gross margin up by 2.2 %-points
  - Operating result up by EUR 5.3 million

- **Stockmann Retail**
  - Revenue down by 7.2%, but gross margin up by 2.4 %-points
  - Operating result up by EUR 0.8 million

- **Real Estate**
  - Solid performance, revenue increased even without the divested Book House
  - Agreement to divest Nevsky Centre signed after the reporting period
STOCKMANN GROUP, FINANCIAL PERFORMANCE* IN Q3 2018

- **Revenue** down by 3.9%, to EUR 232.5 million (242.0)
  - Down due to currency effects, up 0.3% in comparable currency rates
- **Gross margin** 58.7% (56.2)
  - Up both in Lindex and Stockmann Retail
- **Adjusted operating costs** EUR 116.7 million (121.8)
- **Adjusted EBITDA** EUR 19.8 million (14.0)
- **Depreciation** EUR 13.9 million (15.5)
- **Adjusted operating result** EUR 5.9 (-1.4) million
- **Reported operating result** EUR -4.9 million (-151.4)
  - Includes a value adjustment of EUR -10.8 million related to Nevsky Centre (2017: EUR -150 million impairment related to Lindex goodwill)
- **Result for the quarter** EUR -13.8 million (-158.0)

*Continuing operations. Delicatessen in Finland, which was divested on 31 December 2017, is reported as discontinued operations and not included in the presented figures.*
ROLLING 12-MONTH ADJUSTED OPERATING PROFIT (EBIT)

EUR mill.


* 2015 includes Delicatessen in Finland
### KEY FIGURES

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</thead>
<tbody>
<tr>
<td>Equity ratio</td>
<td>%</td>
<td></td>
<td>44.9</td>
<td>41.9</td>
<td>43.0</td>
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<tr>
<td>Net gearing</td>
<td>%</td>
<td></td>
<td>74.4</td>
<td>95.0</td>
<td>83.8</td>
</tr>
<tr>
<td>Net financial items*</td>
<td>EUR mill.</td>
<td>-7.8</td>
<td>-4.8**</td>
<td>-25.4</td>
<td>-20.1**</td>
</tr>
<tr>
<td>Result for the period*</td>
<td>EUR mill.</td>
<td>-13.8</td>
<td>-158.0***</td>
<td>-36.7</td>
<td>-186.0***</td>
</tr>
<tr>
<td>Earnings per share*</td>
<td>EUR</td>
<td>-0.21</td>
<td>-2.21***</td>
<td>-0.56</td>
<td>-2.64***</td>
</tr>
<tr>
<td>Cash flow from operating activities</td>
<td>EUR mill.</td>
<td>4.0</td>
<td>-29.9</td>
<td>21.9</td>
<td>-59.7</td>
</tr>
<tr>
<td>Inventories</td>
<td>EUR mill.</td>
<td></td>
<td>182.6</td>
<td>204.6</td>
<td>162.2</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>EUR mill.</td>
<td>6.0</td>
<td>8.5</td>
<td>21.1</td>
<td>24.2</td>
</tr>
<tr>
<td>Depreciation, amortisation and impairment losses</td>
<td>EUR mill.</td>
<td>13.9</td>
<td>165.5***</td>
<td>42.0</td>
<td>195.4***</td>
</tr>
<tr>
<td>Balance sheet total</td>
<td>EUR mill.</td>
<td>1 881.8</td>
<td>2 082.0</td>
<td>2 061.4</td>
<td></td>
</tr>
</tbody>
</table>

* Continuing operations.

** Includes a write-off of EUR 3.8 million related to Stockmann’s investment in Tuko Logistics Cooperative (Q2 2017), EUR 2.0 million related to Seppälä (Q3 2017), EUR 1.5 million related to Hobby Hall (Q4 2017).

*** Includes an impairment of Lindex goodwill of EUR 150 million (Q3 2017).
NET DEBT

EUR mill.

Q1/2016 800
Q2/2016 800
Q3/2016 800
Q4/2016 800
Q1/2017 800
Q2/2017 800
Q3/2017 800
Q4/2017 800
Q1/2018 600
Q2/2018 600
Q3/2018 400

Divestment of the Book House
Impact of the sale of Nevsky Centre, effective in 2019
MARKET ENVIRONMENT AND OUTLOOK FOR 2018

- Good GDP development and consumer confidence expected to continue in Finland and Sweden in 2018
- Purchasing behaviour changing due to digitalisation and increasing competition, which affects the fashion market negatively
  - In Q3 2018, fashion market in Finland -1.5% and in Sweden -2.5%
- In the Baltic countries good outlook for the retail trade expected to continue
- Efficiency measures implemented at Lindex and Stockmann, will be fully visible in the 2019 operating costs

Revenue guidance updated mainly due to weakening currency rates, profit guidance for 2018 unchanged:

- Stockmann expects the Group’s revenue for 2018 to decline on the previous year. Adjusted operating profit is expected to improve in 2018.
LINDEX

Susanne Ehnbåge
CEO
LINDEX, HIGHLIGHTS IN Q3 2018

- **Continued increase in sales and profitability**
  - Strong autumn season start in all business areas
  - Increased traffic, number of customers and average purchase

- Very strong development in the **online store**, sales up by 65%

- **Profitability Programme** reaching the savings target of over EUR 10 million by the end of 2018, full effect from Q4 onwards

- Online partnership with **global fashion hub ASOS**
  - Lindex products now available in more than 200 countries
LINDEX, FINANCIAL PERFORMANCE IN Q3 2018

- **Revenue** down by 2.8% to EUR 147.0 million (151.1)
  - Same-store sales at comparable exchange rate up by 2.7%
  - Growth in all markets except Poland and UK
  - Increased market share in main markets
- **Gross margin** 62.1% (59.9)
  - Up due to decreased markdowns and higher start margins
- **Operating costs** down by EUR 4.0 million
- **Operating profit** EUR 10.8 million (5.5)
Store network on 30 September 2018
- 476 stores in 18 countries, of which 41 franchising stores
- 4 stores opened and 12 closed in Q3 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 approximately 15 stores
LINDEX WAY FORWARD

- **Profitability Programme** proceeding with full speed
  - Continuing to reduce costs and increase the gross margin
  - Strong focus on sales and profit improvement

- Strong commercial assortment to secure the *Christmas sales*

- Continued focus on **optimising the store concept portfolio**

- Proceeding in the **digital development**
  - Strengthening the customer experience

- Implementation of **new vision and business strategy**
STOCKMANN RETAIL, HIGHLIGHTS IN Q3 2018

- **Small summer clearance** sale improved the gross margin, but reduced revenue – **inventories** on a healthy level
- Successful **Loyal Customer campaigns** in September
- Focus on **strong marketing statements**
  - Gender neutral pop-up store **One Way** gained a lot of international attention
  - Stockmann Magazine’s spring cover **STOCKWOMANN** awarded at the international Eddie & Ozzie Awards in New York
- **Online growth +17%**, digital acceleration proceeds as planned
  - Click & Collect point opened in the Helsinki flagship: open **every day until 24**
STOCKMANN RETAIL, FINANCIAL PERFORMANCE* IN Q3 2018

• **Revenue** EUR 75.4 million (81.2)
  - Revenue down by 7.2%
  - Small clearance sale in July and slowly started autumn sales

• **Gross margin** 46.6% (44.2)
  - Up due to small clearance sale

• **Operating costs** down by EUR 1.1 million
  - Costs declined due to savings in the support functions

• **Operating result** EUR -10.0 million (-10.8)

• **Crazy Days campaign sales** -9% in total in October
  - Online sales +7%
  - Challenges in fashion sales, other areas (home, beauty, food in Baltics) close to previous year’s campaign sales

*Continuing operations*

Delicatessen in Finland was divested on 31 December 2017 and is reported as discontinued operations, and therefore not included in the presented comparison figures.
Extending the product selection: From 30,000 SKUs in 2017 to **110,000** by the end of 2018

**Whole Helsinki flagship selection** soon available online – **children’s fashion** already fully online

Faster & smoother stockmann.com online deliveries: **1-3 days from ordering**

**B2C MARKET PLACE** together with digital partners in spring 2019

A wider range of merchandise areas, a pilot with **toys** started

New **Click & Collect** point open until **24:00** in the Helsinki department store

Up to **8,000 parcels were shipped** every day during the Crazy Days campaign
REAL ESTATE

Lauri Veijalainen
CEO
REAL ESTATE, HIGHLIGHTS IN Q3 2018

- Increased **revenue** and **operating profit**
  - Continued stable performance
  - Revenue up even without the Book House that was divested in May 2018

- **Agreement to sell Nevsky Centre** property in St. Petersburg signed in October 2018
  - Closing is subject to approval from the Russian Federal Antimonopoly Service
  - Aim is to close the transaction by the end of 2018

- **Elena Stenholm** to start as Director, Real Estate in November 2018
DIVESTING TWO STOCKMANN-OWNED PROPERTIES IN 2018

**BOOK HOUSE in Helsinki**
- GLA: 8 861 m²
- Sold on 24 May 2018
- Sales price: EUR 108.6 million
- Buyer: AEW Europe City Retail Fund

**NEVSKY CENTRE in St. Petersburg**
- GLA: 46 000 m²
- Transaction closing by the end of 2018
- Sales price: EUR 171 million
- Buyer: PPF Real Estate
REAL ESTATE, FINANCIAL PERFORMANCE IN Q3 2018

- **Revenue** EUR 16.7 million (16.5)
  - Higher rent levels and new tenants

- **Net operating income** from own properties EUR 12.5 million (12.6)
  - Average monthly rent EUR 38.10 per sqm (36.61)
  - Net rental yield in January–September 5.6% (5.4)

- **Occupancy rate** of own properties 99.4% (99.5)

- **Adjusted operating profit** EUR 6.5 million (6.3)
  - Reported operating result EUR -4.3 million (6.3), including a value adjustment of EUR -10.8 million related to the Nevsky Centre property
REAL ESTATE, STOCKMANN-OWNED PROPERTIES

**Key figures 30.9.2018**

Fair value of the department store properties: EUR 677 million

Gross leasable area (GLA) 88 000 sqm, of which Stockmann Retail was using 73%

Occupancy rate 99.4%

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**Helsinki department store**

Occupancy rate 99.8%

GLA 51 000 sqm

Usage by Retail 66%

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**Tallinn department store**

Occupancy rate 98.0%

GLA 22 000 sqm

Usage by Retail 82%

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**Riga department store**

Occupancy rate 100.0%

GLA 15 000 sqm

Usage by Retail 86%
FURTHER INFORMATION

STOCKMANNGROUP.COM
INVESTOR.RELATIONS@STOCKMANN.COM