



FINANCIAL STATEMENTS 2015

Stockmann Group | 18 February 2016

A decorative pattern of light teal parallelograms arranged in a staggered, grid-like fashion on the right side of the slide.

STOCKMANN



YEAR 2015: GOOD PROGRESS IN STRATEGY EXECUTION

Q4 KEY HIGHLIGHTS

Gross margin

↑ **51%** (46%)

Operating result excl. non-recurring items, EUR mill.

↑ **18.5** (11.2)

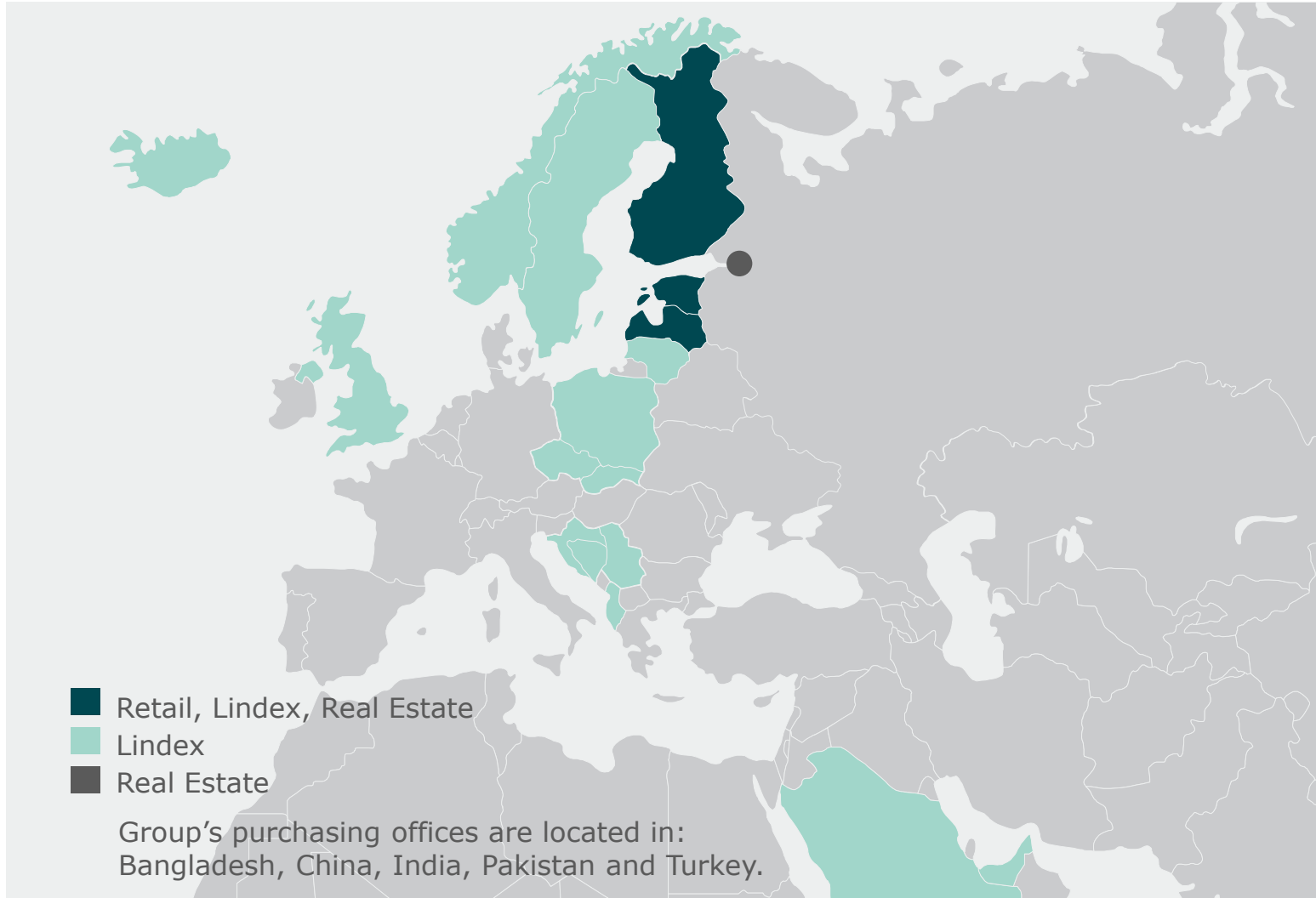
Reported operating result, EUR mill.

↑ **4.3** (-28.1)

- Focus on core businesses and turnaround in profitability
- Withdrawing from non-core businesses taken place with speed
 - Russian department store business, Seppälä, Academic Bookstore, loss-making product areas (e.g. electronics)
 - Divestments generated significant one-time losses: Russia EUR 78.5 million, Seppälä EUR 30.2 million (2014 and 2015)
- Gross margin significantly up
- Operating costs declined by EUR 86.4 million in 2015, although savings from the efficiency programme mainly visible from 2016 onwards
- Operating result up in continuing operations
- All-time high Christmas sales for Lindex – operating profit up 72% in Q4
- Over 15 000 sqm released from own retail operations, which improves operating cash flow
- Inventories down year-on-year



STOCKMANN GROUP IN BRIEF



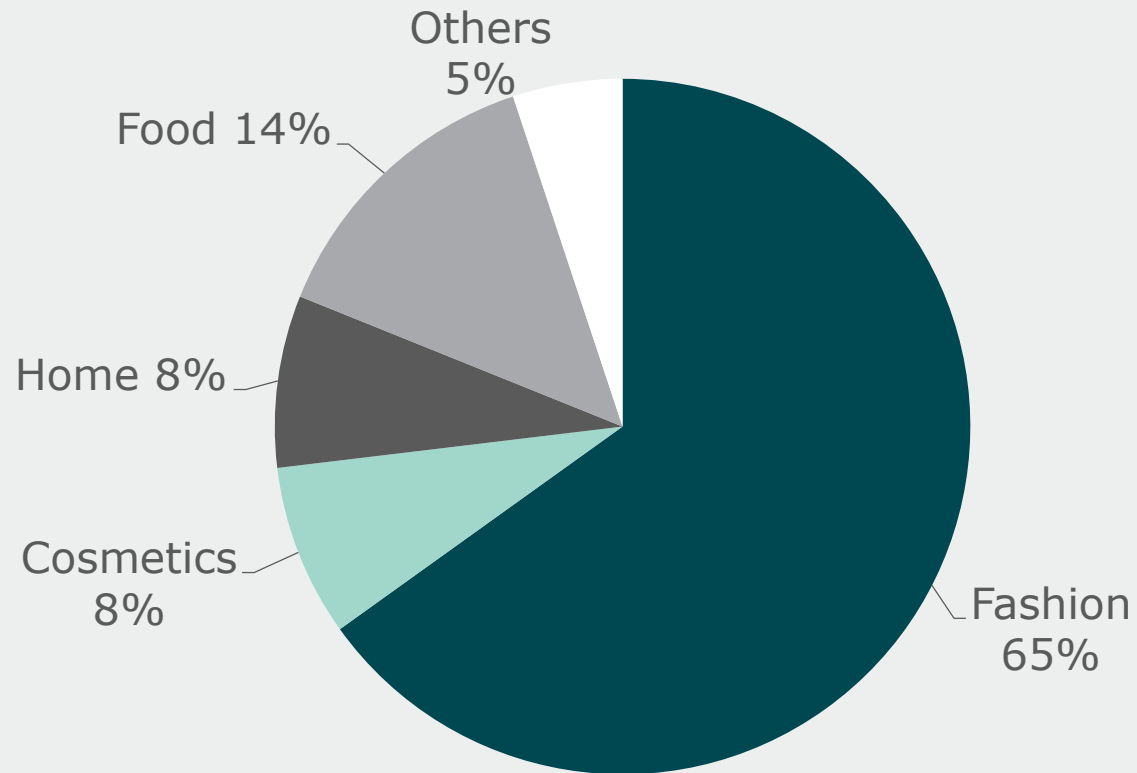
- Revenue* in 2015:
EUR 1 435 million
- 9 department stores
in 3 countries
- 5 real estate properties
in 4 countries
- 487 Lindex stores
in 19 countries
- Stockmann, Lindex and
Hobby Hall online stores
- Personnel* (year-end):
9 734
- Shareholders (year-end):
52 415

*Continuing operations



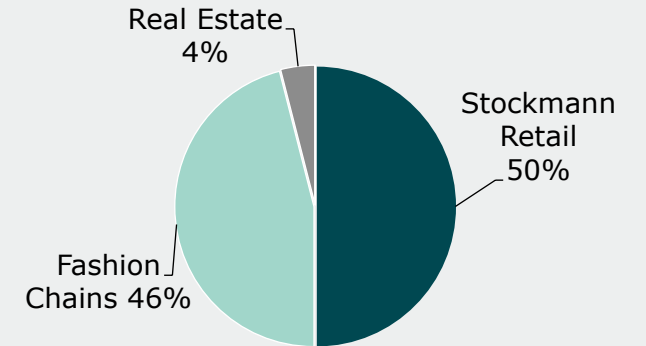
FOCUS ON FASHION, COSMETICS, HOME AND FOOD

REVENUE* BY PRODUCT AREA

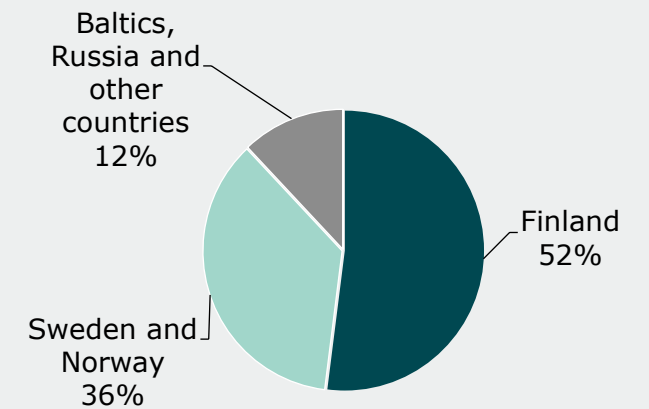


* Continuing operations, i.e. excluding Russian department stores

REVENUE* 2015 BY DIVISION



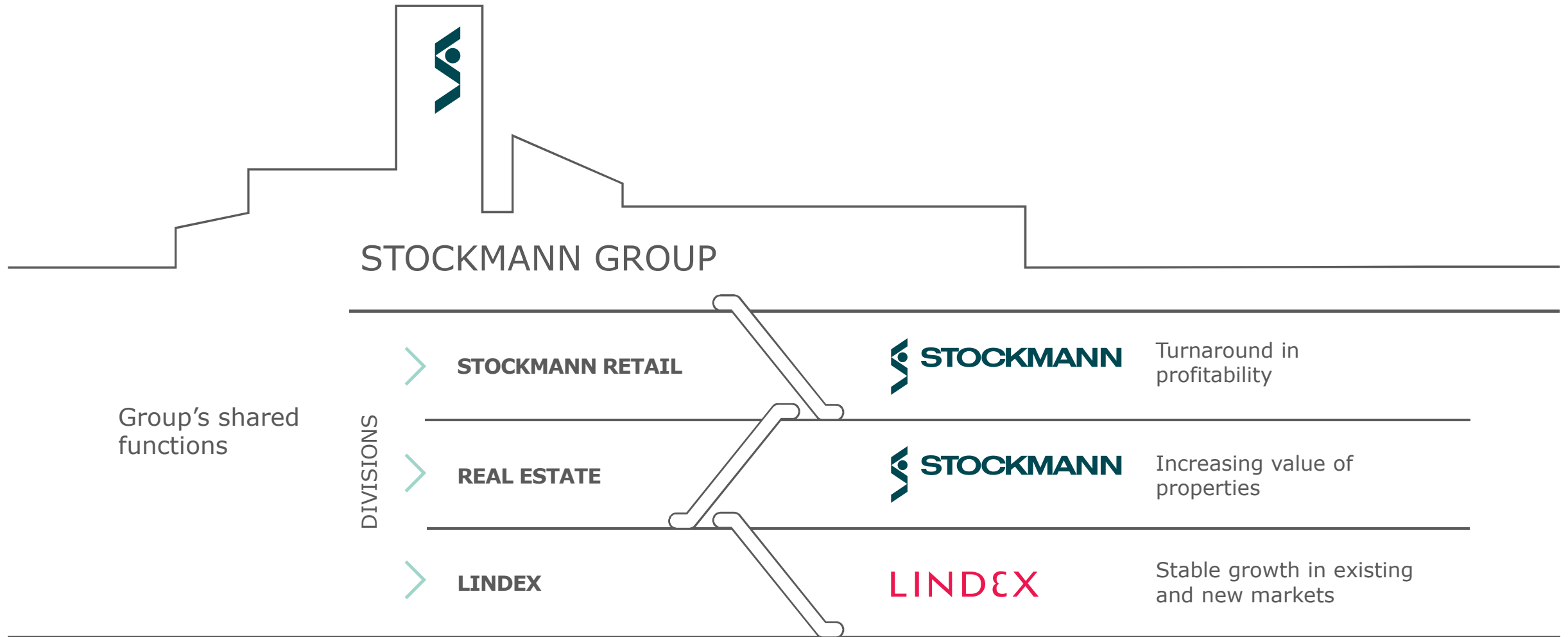
REVENUE* 2015 BY MARKET



*Continuing operations



NEW OPERATING STRUCTURE AS OF 1 JANUARY 2015





FOCUSING ON THE KEY BUSINESSES





OUR NEW STRATEGY IN BRIEF

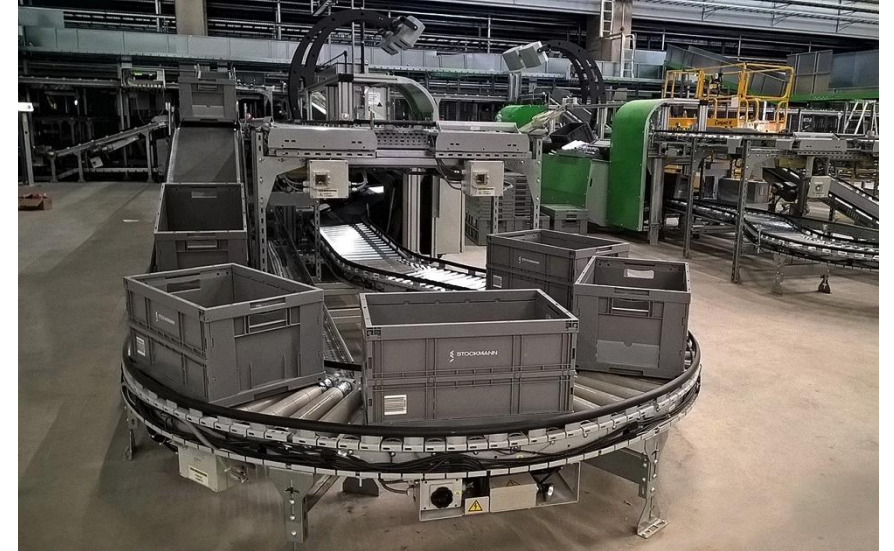
Stockmann Retail, Real Estate and Lindex will focus on customer experience and efficiency in all operations.

***Creating
inspirational
shopping
experiences***



CUSTOMER

“Every day is a new opening”
– focus on providing
a top-notch shopping
experience and increasing sales



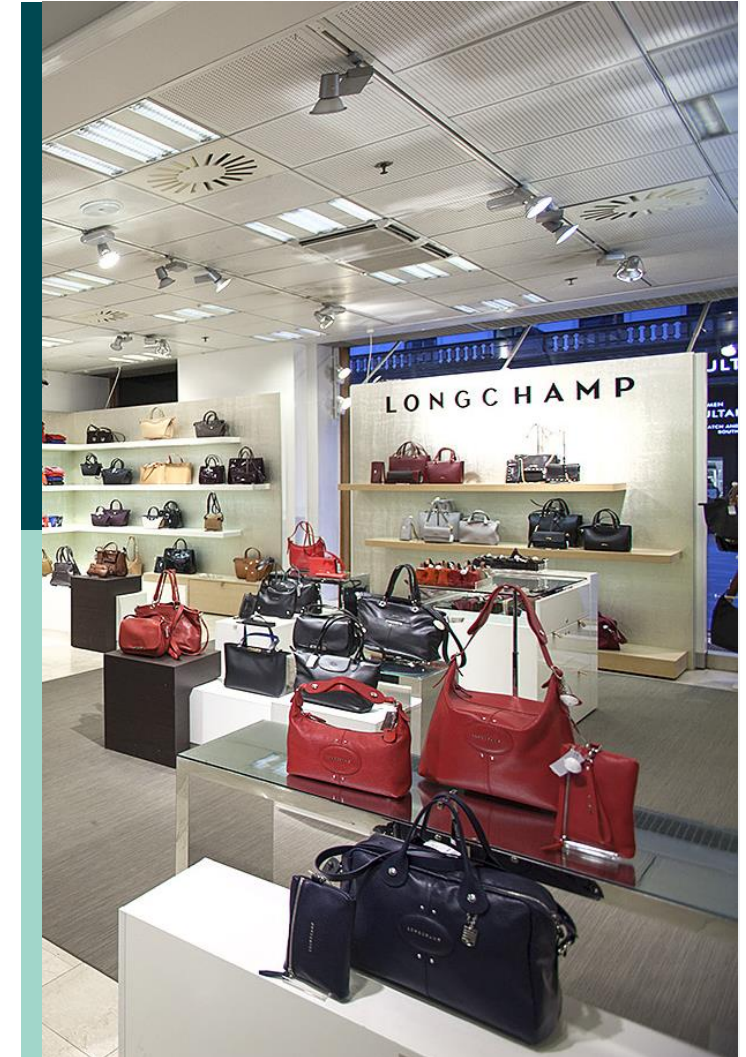
EFFICIENCY

“Every square metre
to be profitable”
– efficient use of retail space,
optimal store network and
effective support functions



MARKET ENVIRONMENT AND OUTLOOK FOR 2016

- Economic situation remains uncertain in **Finland**: slow GDP growth, low consumer purchasing power
- Relatively stable development expected in **Sweden, Norway** and the **Baltic** countries: somewhat higher GDP growth, competition increasing in the Baltics
- Weak outlook for **Russia** which may have a negative impact on rental income 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 **operating result** excluding non-recurring items is expected to be slightly positive in 2016.
 - Due to normal seasonal variation, the **first-quarter operating result** will be significantly negative
 - **Capital expenditure** estimated to be approximately EUR 60-65 million which is on a par with the estimated depreciation for 2016





STOCKMANN GROUP IN 2015



RUSSIAN RETAIL AS DISCONTINUED OPERATIONS

- **Stockmann sold its Russian subsidiary** AO Stockmann to Reviva Holdings Limited as of 1 February 2016
 - 7 Russian department stores, warehouse, outlet, administration, inventories and personnel
 - Purchase price EUR 5 million and transfer of significant lease liabilities
 - EUR 78.5 million booked as non-recurring costs for Q4 2015
- Department store operations in Russia classified as **discontinued operations in 2015** income statement
 - Result for 2015 in discontinued operations EUR -86.1 million
- Reviva became the **anchor tenant of Nevsky Centre** with a long-term rental agreement as of 1 February 2016
 - Nevsky Centre classified as an investment property in accordance with IAS 40
 - Investment properties are not depreciated, but gains or losses due to changes in fair value recognized through profit and loss
- Requires **increased cost efficiency in the support functions** in Finland, as Russia does not pay internal charges for shared operations anymore

SEGMENTS

- **Stockmann Retail:** Stockmann department store, online store and Hobby Hall
- **Real Estate:** properties in Helsinki, St Petersburg, Tallinn and Riga as well as sub-leased premises
- **Lindex** (earlier Fashion Chains): fashion stores and online store

MARKET AREAS

- Finland
- Sweden & Norway
- Baltics, Russia and other countries

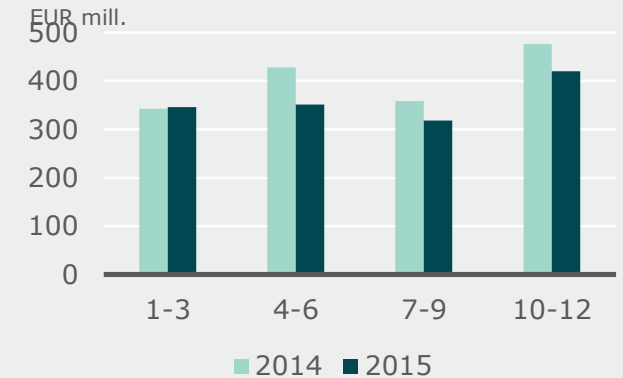


GROUP'S FINANCIAL PERFORMANCE* IN Q4 2015

- **Revenue** EUR 420.0 million (EUR 476.3 million)
 - Up 1.1% in continuing product areas and businesses
- **Gross margin** 51.0% (45.9%)
 - Fewer price-driven campaigns, withdrawal from the low-margin product areas in department stores and the divestment of Seppälä
- **Operating costs** excl. non-recurring items down EUR 27.1 million, to EUR 176.2 million (EUR 203.3 million)
 - Decline due to cost savings measures in all divisions and divestment of Seppälä
 - Non-recurring costs in operating costs EUR 14.2 million (EUR 27.8 million)
- **EBITDA** excl. non-recurring items EUR 37.1 million (EUR 22.0 million)
- **Depreciation** EUR 19.4 million (EUR 14.6 million)
 - Increase due to fair value calculation of properties
- **Operating result** excl. non-recurring items EUR 18.5 million (EUR 11.2 million)
 - Improved result for Lindex and Stockmann Retail
 - Reported operating result EUR 4.3 million (EUR -28.1 million)

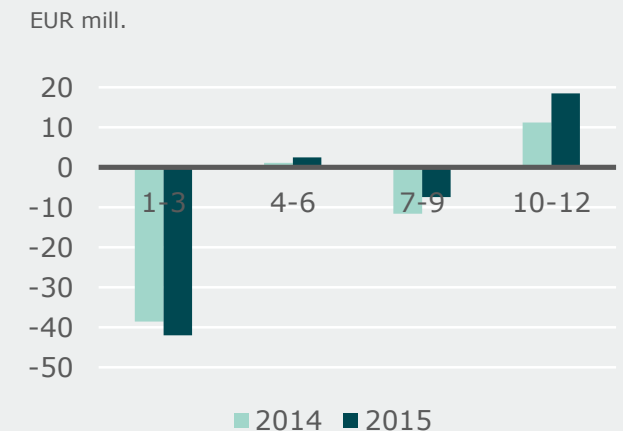
* Continuing operations

QUARTERLY REVENUE



QUARTERLY OPERATING RESULT

Excluding non-recurring items





GROUP'S FINANCIAL PERFORMANCE* IN 2015

Gross margin

↑ **50.6%**
(48.6%)

Operating result
excl. non-recurring items,
EUR mill.

↑ **-28.5**
(-37.8)

Reported operating
result, EUR mill.

↑ **-52.5**
(-77.2)

- **Market development** for fashion: Finland -7.7% and Sweden +2.0%
- **Revenue** EUR 1 434.8 million (EUR 1 605.5 million)
 - Down 1.3% in continuing product areas and businesses
 - Down 3.1% in Finland, up 0.3% in international operations
- **Operating costs** excl. non-recurring items down by EUR 86.4 million, to EUR 682.2 million (EUR 768.6 million)
 - Non-recurring items in operating costs EUR 24.0 million (EUR 29.0 million), due to e.g. Seppälä, Academic Bookstore and restructuring costs
- **EBITDA** excl. non-recurring items EUR 43.4 million (EUR 18.1 million)
 - Depreciation EUR 71.9 million (EUR 59.8 million)
- **Result for 2015** excl. non-recurring items EUR -43.0 million (EUR -60.3 million)
 - Non-recurring items in taxes and financial costs EUR 21.8 million, mostly due to tax reassessment decisions
 - Reported result EUR -88.9 million (EUR -96.7 million)
 - Net result EUR -175.0 million (EUR -99.8 million), including a loss of EUR -86.1 million from discontinued operations

* Continuing operations, except net result for 2015



KEY FIGURES IN 2015

		Q4/2015	Q4/2014	1-12/2015	1-12/2014
Equity ratio*	%			46.1	39.3
Gearing*	%			72.1	105.4
Net financial costs	EUR mill.	7.2	5.4	21.2	23.3
Earnings per share, continuing operations, excluding NRI	EUR	0.23	-0.06	-0.60	-0.84
Net earnings per share, including discontinued operations	EUR	-1.26	-0.53	-2.43	-1.39
Cash flow from operating activities	EUR mill.	97.0	116.9	17.2	29.6
Inventories	EUR mill.			170.8	239.3
Capital expenditure	EUR mill.	16.5	11.1	53.4	53.8
Depreciation*	EUR mill.	19.4	14.6	71.9	59.8
Property, plant and equipment*	EUR mill.			1 016.2	590.5
Balance sheet total*	EUR mill.			2 237.9	1 936.5

As of 1 January 2015, real estate properties have been measured at fair values, and the fair values are depreciated during the financial. This impacts several key figures marked with *. The revaluation is not applied retrospectively for 2014.



FIRST EFFECTS OF THE EFFICIENCY PROGRAMME ARE VISIBLE

Annual cost savings of EUR 50 million targeted from 2016 in stages

Simplified processes and streamlined support functions

- Nearly 200 jobs reduced in Finland in 2015; in total up to 260 in 2015-2016
- Savings in non-FTE costs, e.g. indirect procurement
- Reduced office costs at Lindex headquarters, store closings in Russia 2015-2016

Improved cooperation with suppliers

- Reviewing brand mix and renegotiations terms with key suppliers
- Improved gross margin, decline in inventories

Releasing own retail space

- Over 15 000 sqm released during 2015
- Reducing operating costs, mainly rents

Further cost savings to be achieved in 2016 and 2017:

Divestment of Russian department stores Department store closure in Oulu in 2017

- Reduced operating costs (personnel, rents)

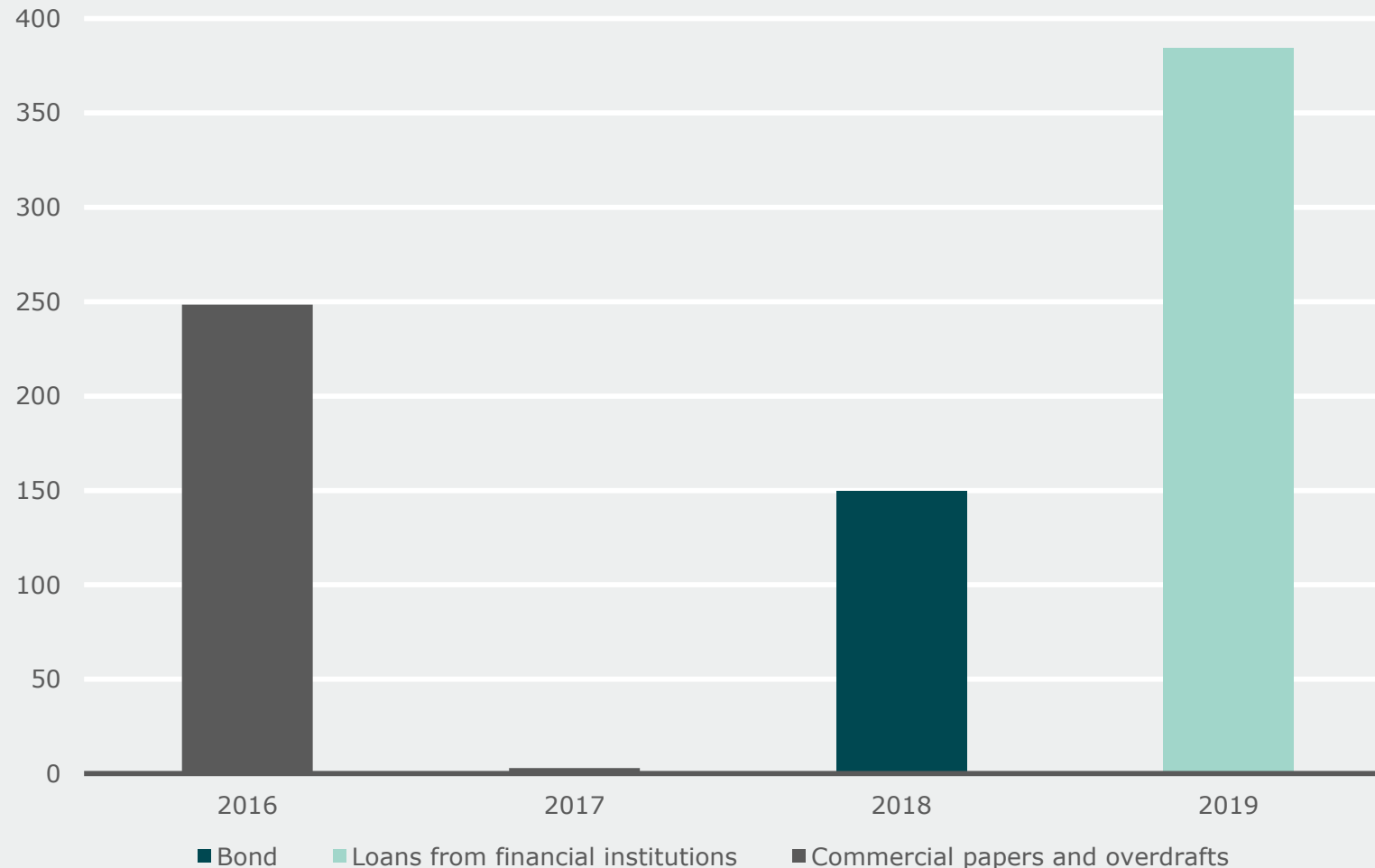
New distribution centre in 2016

- Annual cost savings of EUR 5.5 million due to reduced personnel, rental and transport costs
- Depreciation up EUR 2 million annually



MATURITY STRUCTURE OF INTEREST-BEARING LIABILITIES

EUR mill.



- EUR 700 million committed credit facilities, of which EUR 300 million undrawn as of 31 December 2015, due in February 2019
- EUR 150 million bond due in March 2018
- In addition, EUR 85 million hybrid bond* issued in December 2015, with an early redemption option on 31 January 2020

* Treated as equity and not included in liabilities

STOCKMANN RETAIL



CUSTOMER FOCUS AND EFFICIENCY IN STOCKMANN RETAIL

Focus on **fashion, cosmetics, food and home** products.

Multichannel operations in **9 department stores** and **online store**, which will be renewed during 2016.

Improving **customer service**, selection and loyal customer benefits.

Investments in store milieus and digital tools, in order to offer **inspirational shopping experiences**.



CUSTOMER

Revising brand mix and the number of suppliers, increasing seasonal products, pop ups and events

Introducing new digital tools to improve customer service, e.g. sales tablets and digital fitting rooms

Major renovations in Helsinki city centre in 2016, new store to Tapiola in 2017



EFFICIENCY

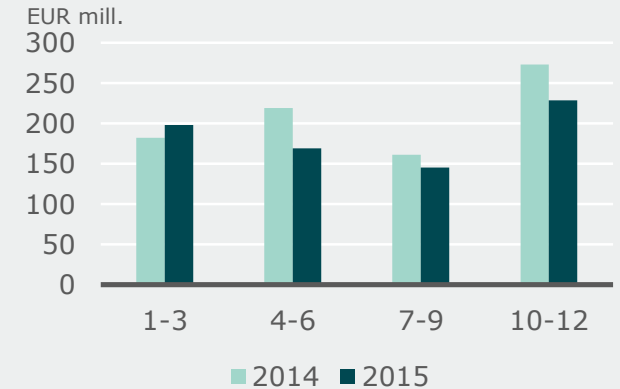
- New highly automated distribution centre will start operations from April 2016 onwards
- Increasing retail space efficiency: over 15 000 sqm released in 2015
- Cost savings and streamlined processes in support functions; operating costs down EUR 24 million in 2015



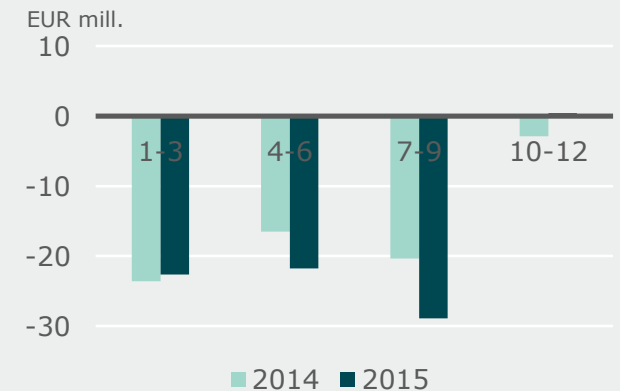
FINANCIAL PERFORMANCE IN Q4 2015

- **Revenue** down 4.1% in continuing product areas
 - Increased market share in fashion, cosmetics and home textiles in Finland
 - In food, the market share has declined
 - Successful Crazy Days campaign in October but Christmas season lower with fewer price driven campaigns than in 2014
- **Gross margin** 39.2% (34.6%)
 - Discontinuing low-margin electronics product area
 - Fewer price driven campaigns
 - Lower inventories in season sale
- **Operating costs** down by EUR 12.6 million, to EUR 89.9 million
- **Operating result** EUR 0.4 million (EUR -2.9 million)
- **Inventories** down EUR 25.1 million year-on-year
- **Operating result 2015** EUR -68.6 million (EUR -62.3 million), excluding non-recurring items and discontinued operations
 - Reported operating result EUR -72.9 million (EUR -63.5 million)
- **Capital expenditure 2015** EUR 25.8 million (EUR 27.2 million)

QUARTERLY REVENUE



QUARTERLY OPERATING RESULT

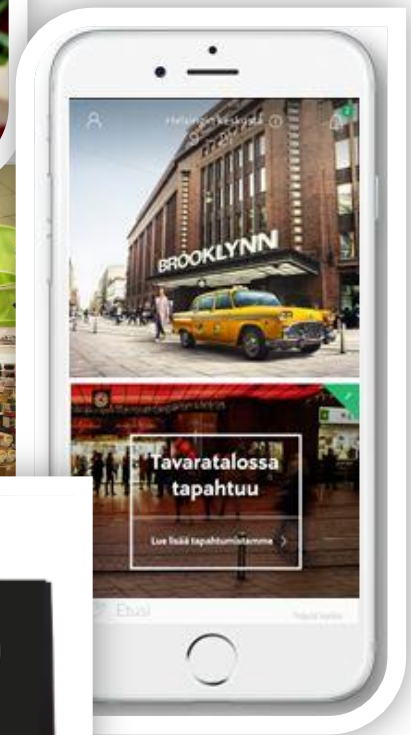




AIMING AT TOP-NOTCH MULTICHANNEL SHOPPING EXPERIENCES



signed
for you



REAL ESTATE



OUR PROPERTIES

Key figures

Gross leasable area (GLA) 144 000 sqm, of which 42% in Finland

Occupancy rate, year-end, 98.5%



Helsinki flagship building
Occupancy rate 99.7
GLA 51 000



Book Building, Helsinki
Occupancy rate 94.6
GLA 9 000



Nevsky Centre,
St Petersburg
Occupancy rate 96.9
GLA 46 000



Tallinn department store building
Occupancy rate 99.6
GLA 22 000



Riga department store building
Occupancy rate 100.0
GLA 16 000

Fair value of properties, EUR mill.

918.2 ↑

(1.1.2015: 908.3)

Usage by external tenants

31 December 2015

33% ↑

(1.1.2015: 26%)

After divestment of Russian department stores,
1 February 2016:

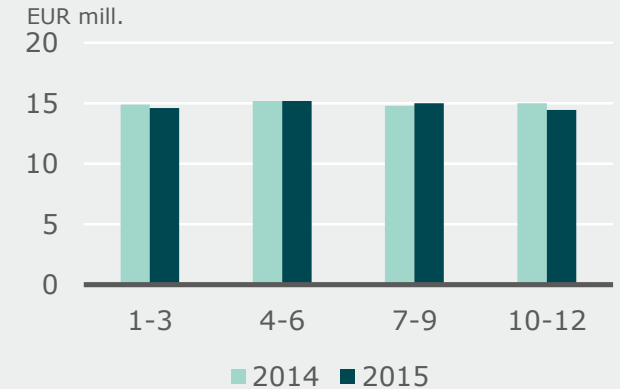
47%



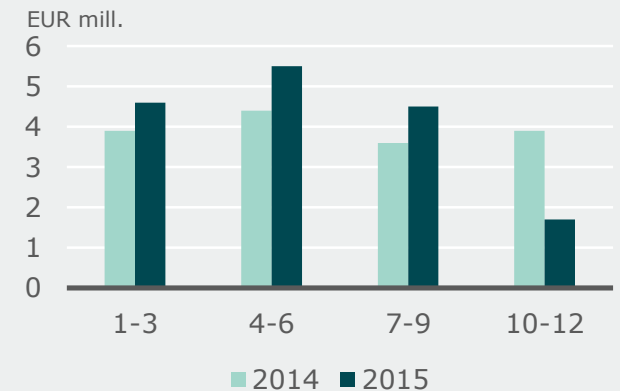
FINANCIAL PERFORMANCE IN Q4 2015

- **Revenue** EUR 14.8 million (EUR 15.0 million)
- **Average monthly rent** EUR 31.78 per sqm in own properties
- **Net operating income** from own properties EUR 9.1 million (EUR 11.4 million)
- **Operating profit** EUR 1.7 million (EUR 3.9 million)
 - Change in allocation of maintenance expenses, done in Q4 for the full year
- **Net rental yield 2015** 5.0 per cent
- **Operating result 2015** EUR 16.3 million (EUR 15.9 million)
- **Capital expenditure 2015** EUR 4.8 million (EUR 1.7 million)

QUARTERLY REVENUE



QUARTERLY OPERATING RESULT





NEW TENANTS IN 2015 AND 2016

- **Expert** in Helsinki and Turku (Q2), Tampere (Q3)
- **Euronics** in Tallinn and Riga (Q3)
- **Bonnier/Academic Bookstore** in Helsinki, Tampere, Itis and Jumbo; in Turku and Tapiola lease agreements transferred to Bonnier (Q4)
- **Hamleys, Halti, Musti ja Mirri** and **Espresso House** in Helsinki (Q4)
- **Pharmacy Syke** in Tampere
- **Costa Coffee** in Riga (Q2) and **Katharinenthal café** in Tallinn (Q4)
- **University Pharmacy** in Tallinn (2016)
- **Intera Partners** in Bookhouse office premises in Helsinki (2016)
- **Technopolis** UMA workspace in Bookhouse in Helsinki (2016)
- **XS Toys** in Tallinn and Riga (2016)
- In total **over 15 000 sqm released** from Stockmann Retail in 2015, of which **over 10 000 sqm transferred** to tenants in own properties





OPERATIONS CONTINUE IN NEVSKY CENTRE

- Opened in the heart of St Petersburg in November 2010
- Over 90 tenants, of which 37 contracts signed or renegotiated in 2015
- New anchor tenant Reviva with a long-term rental agreement
- New brands e.g. InWear/Matinique, InvidiaUomo, Conte of Florence





LINDEX



A WORLD-CLASS FASHION BRAND

- Best sales ever in Q4 and significantly increased full-year profitability
- Children's wear best performing business area with greater visibility in communication
- Stable growth in existing and new markets in 2015
 - Entered the UK market in March
 - New franchising countries Kosovo and Albania
 - Store portfolio strengthened
- Successful strategic priorities and actions for increased profitability
 - Increased customer focus: successful autumn and Christmas campaigns with greater focus on product and price
 - Tight cost control particularly in office costs
 - Closing down our operations in Russia according to plan
 - Phase out of LXM – Lindex man collection
- Launch of Lindex Beauty – own cosmetic label
- Bra-volution campaign with Lindex employees
- Pink Ribbon campaign resulted in EUR 1.3 million in donations to the fight against breast cancer

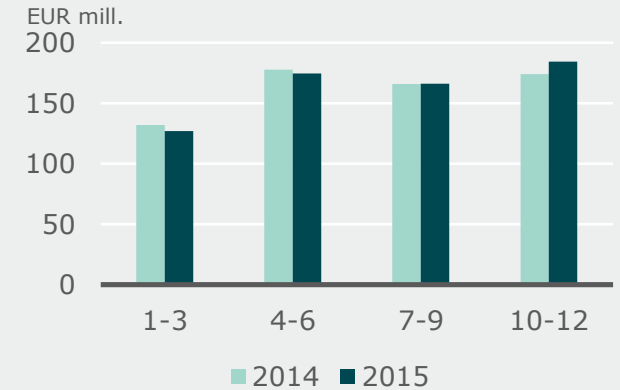




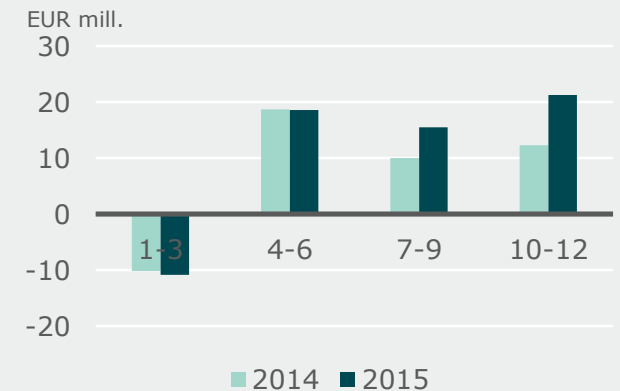
FINANCIAL PERFORMANCE IN Q4 2015

- **Revenue** up 6% in EUR or 7.6% in local currencies
 - Comparable revenue up 7.2%
 - All markets except Russia improved sales in comparable stores
 - Increased market share in Sweden and in Finland
- **Gross margin** 62.6% (61.4%)
 - Less markdowns and changes in product mix and pricing
- **Operating costs** on a par with 2014
 - Includes closing costs for stores in Russia
 - Good cost efficiency in office and marketing costs
- **Operating profit** EUR 21.3 million (EUR 12.3 million)
- **Inventories** slightly up at year-end
- **Operating result 2015** EUR 44.6 million (EUR 30.8 million)
- **Capital expenditure 2015** EUR 21.9 million (EUR 21.4 million)

QUARTERLY REVENUE

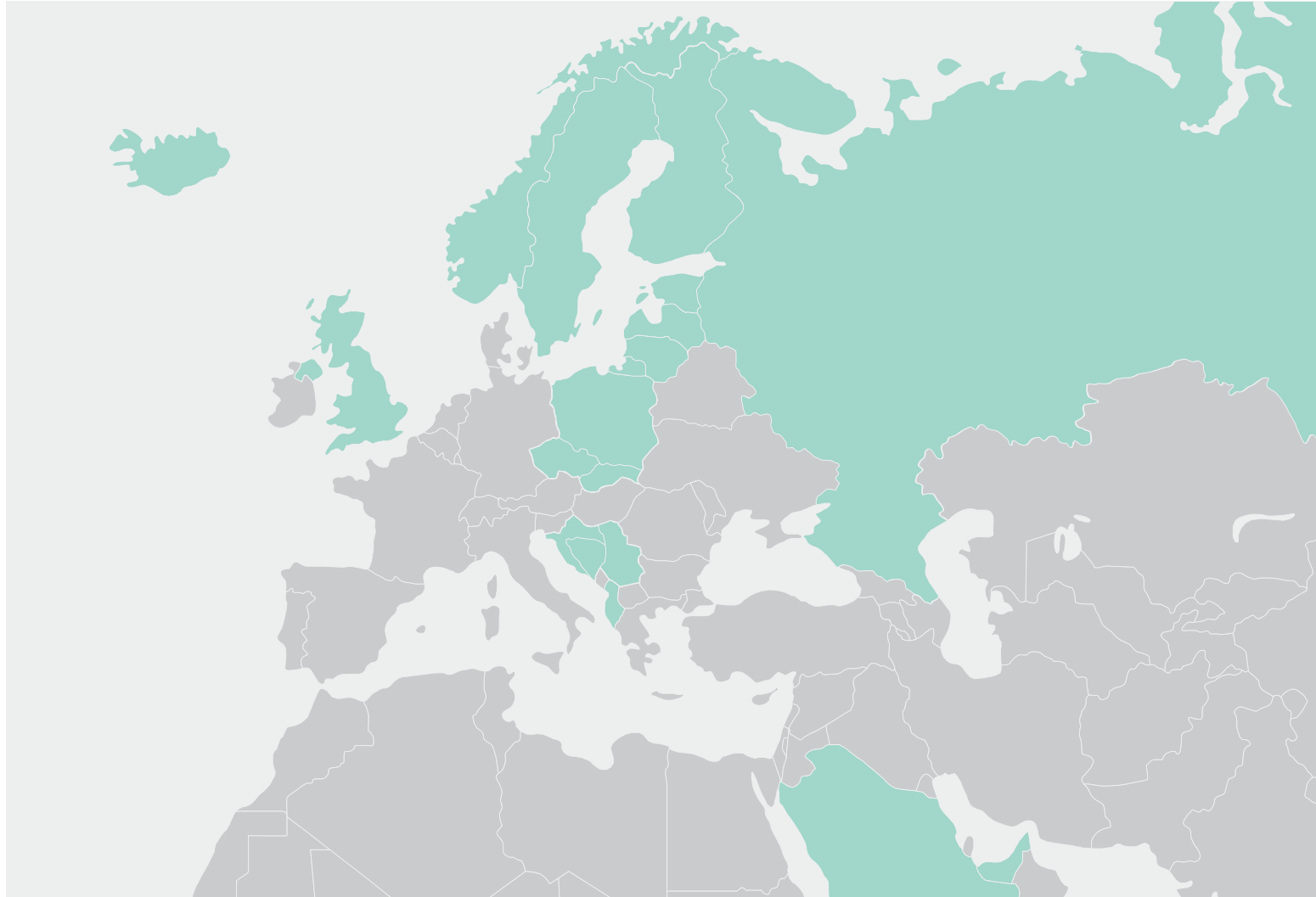


QUARTERLY OPERATING RESULT





GROWTH THROUGH OWN AND FRANCHISING STORES



- In total **487 stores in 19 countries** at year-end, of which 37 franchising stores in 8 countries
 - 17 new stores in 2015
 - 21 closed stores in 2015, of which 9 in Russia
- New market **opening in the UK**: first store opened in Q1 and second in Q4 2015
- Growing **franchising business** with two new markets in 2015: Kosovo (Q1) and Albania (Q4)
- **Target for 2016**: Total number of stores to decline
 - In Russia, remaining 10 stores will be closed by summer 2016



LINDEX IN 2016: WE MAKE FASHION FEEL GOOD

- Clear focus on sales growth with customer in mind and continued good cost control
- Further focus and investment in the digital development of our business
- Enhanced shopping experience throughout the customer journey





FURTHER INFORMATION:
www.stockmanngroup.com
investor.relations@stockmann.com



STOCKMANN