



HALF YEAR FINANCIAL REPORT 2017

Stockmann Group | 16 August 2017

STOCKMANN



Q2 2017 IN BRIEF

Group's gross margin

56.1%

(57.3)

Group's operating result, EUR mill.

14.6

(17.5)

Retail's operating result, EUR mill.

-2.6

(-11.8, excl. Hobby Hall)

- **Stockmann Group**

- Improved operating results for Stockmann Retail and Real Estate, decline for Lindex
- Agreement signed to sell Delicatessen business operations in Finland to S Group

- **Lindex**

- Operating profit down by EUR 15.5 million
- Comparable revenue increased in all markets except in the Nordic countries

- **Stockmann Retail**

- Significantly improved operating result, up EUR 9.2 million excluding Hobby Hall
- Stabilised revenue, improved gross margin and lower operating costs

- **Real Estate**

- Operating profit up EUR 1.6 million thanks to higher rent income
- Investigation for the divestment of Nevsky Centre progressing according to plan



STRATEGY TOWARDS PROFITABILITY

New strategy in December 2014

- New company structure: Stockmann Retail, Real Estate and Lindex

Withdrawal from non-core business

- Sale of Seppälä and Academic Bookstore (2015) and Hobby Hall (2016)

Exit from retail business in Russia

- Department stores in Russia sold (2016)
- Lindex stores in Russia closed (2016)

Independent development of Lindex

Stockmann Retail and Real Estate partnership

- Focus on fashion, beauty and home
- Partners: cafés, books, toys, electronics, wellness services etc.
- New partner for food in Finland

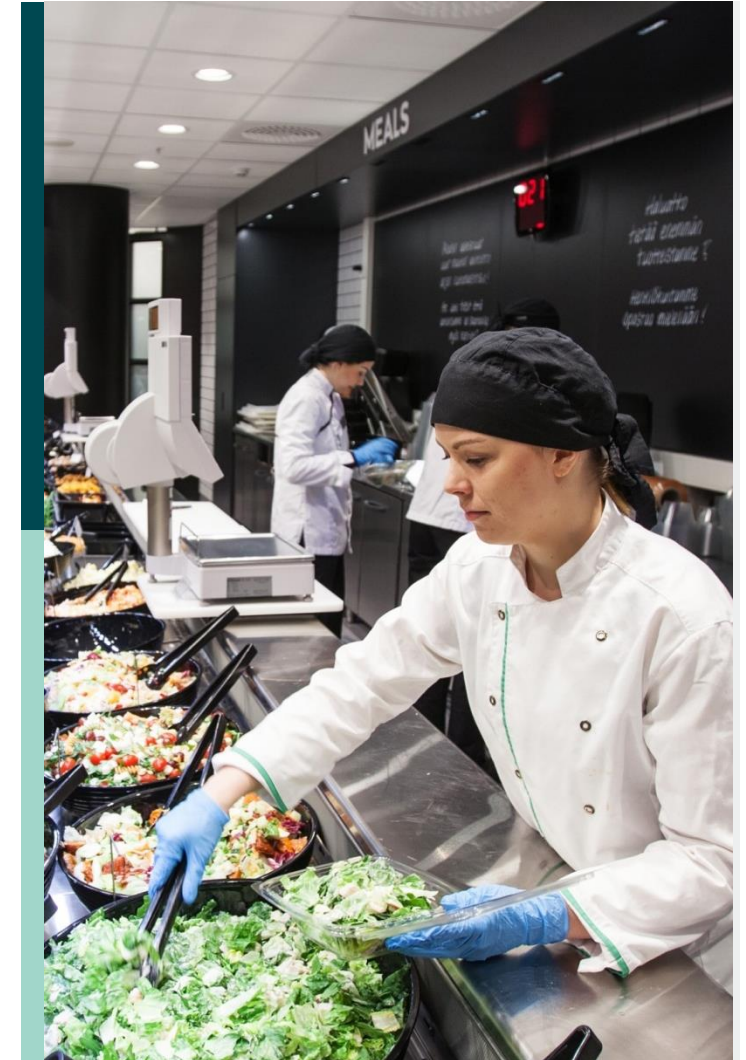
Aiming for a leading-edge premium shopping experience and a positive operating result for Stockmann Retail in 2018





DELICATESSEN IN FINLAND WILL TRANSFER TO S-GROUP

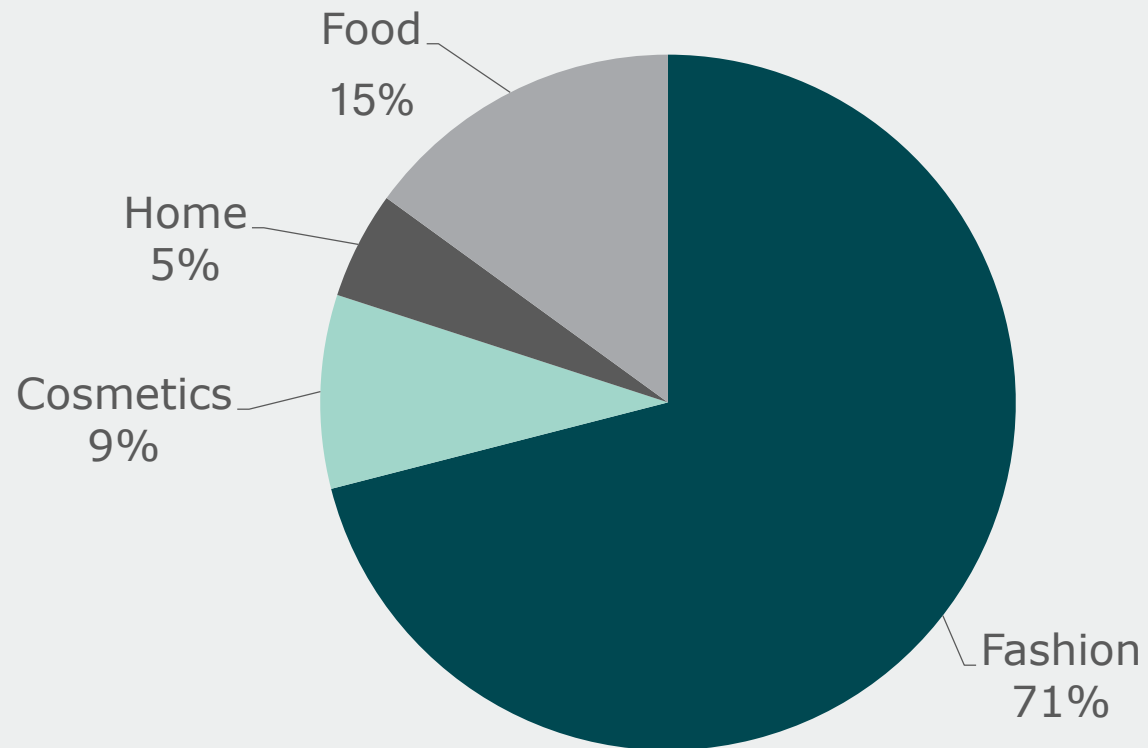
- S-Group to buy Stockmann Delicatessen's food business in Finland
 - 6 Delicatessen stores, Delicatessen kitchen, chain support operations and the whole personnel of around 800 people
- Stores will continue under the Stockmann Delicatessen name as tenants in all Stockmann department stores in Finland
- Purchase price is EUR 27 million, with a cash flow impact EUR 20 million and one-time capital gain around EUR 3 million
 - Transaction will improve the Group's operating result from 2018 onward
- Transaction is pending approval from the Finnish Competition and Consumer Authority, estimated to take place at the end of 2017
- Stockmann will continue to operate Stockmann Delicatessen in Estonia and Latvia as part of its department stores
- Delicatessen business in Finland is classified as asset held for sale and reported as discontinued operations



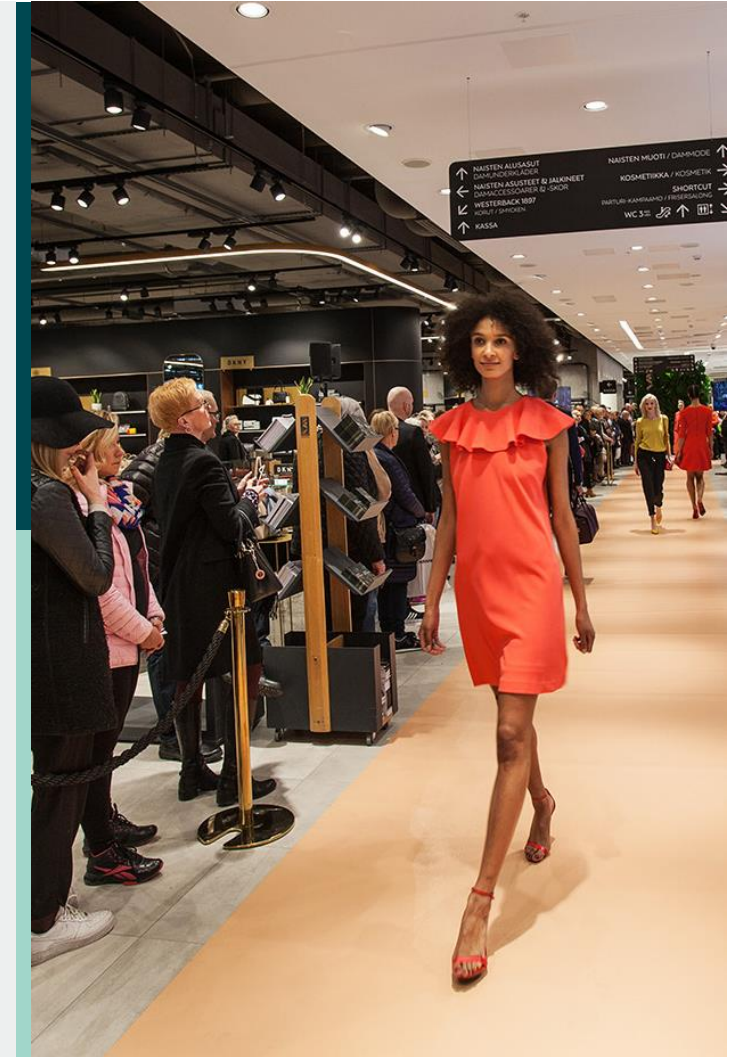


INCREASED FOCUS ON FASHION AND LIFESTYLE

Group's product sales per merchandise area in 2016



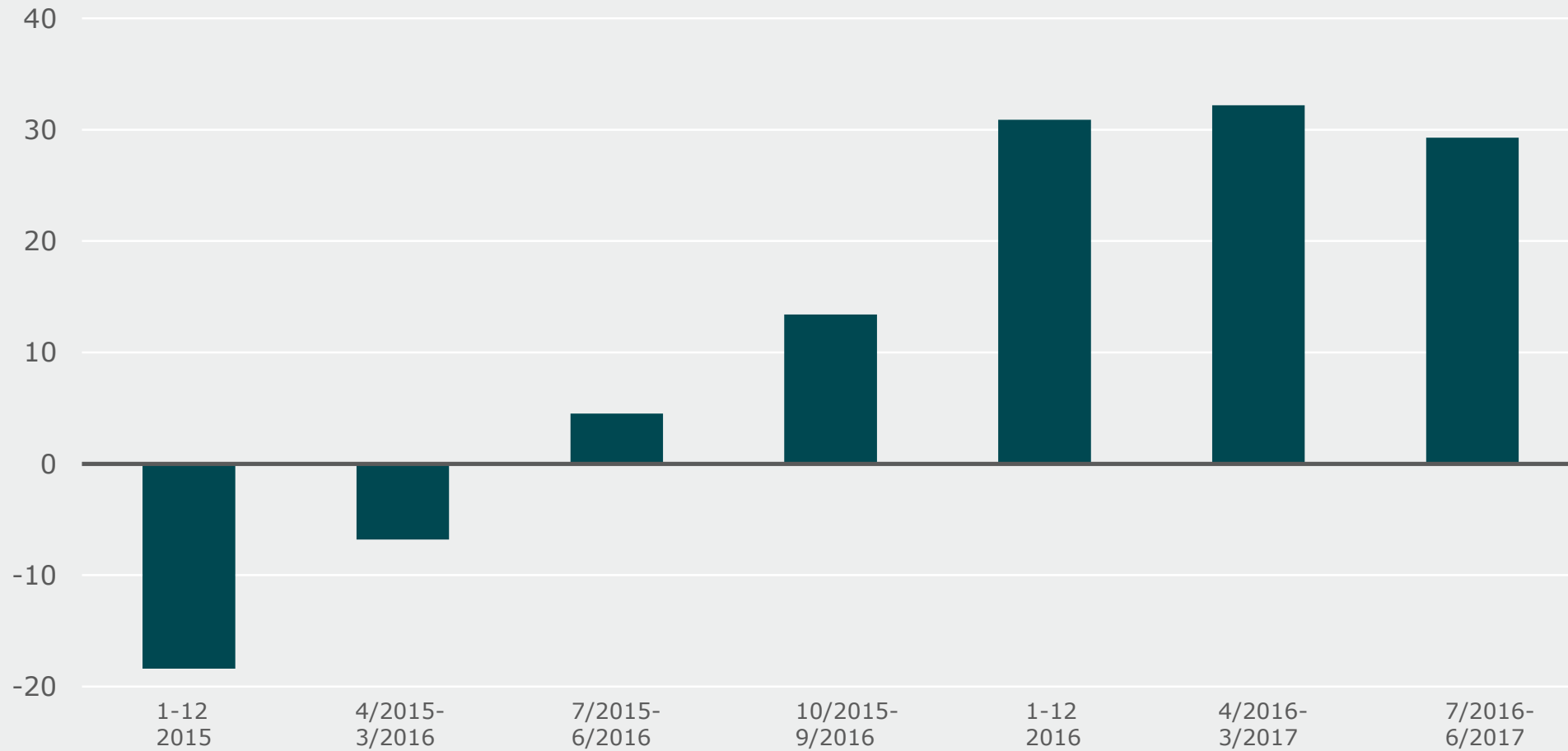
Excluding Hobby Hall and discontinued operations





IMPROVED OPERATING RESULT DURING THE STRATEGY PERIOD

Stockmann Group, rolling 12-month adjusted operating profit (EBIT)





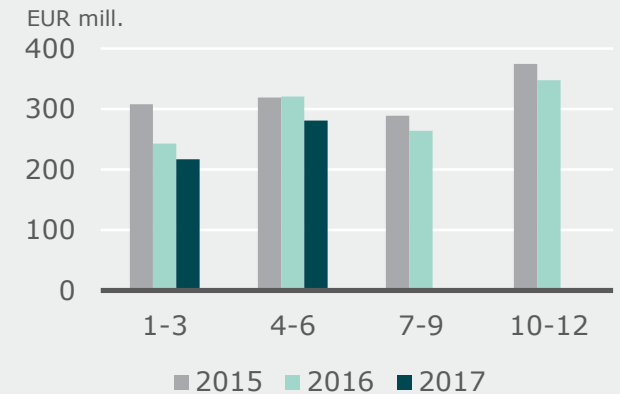
STOCKMANN GROUP, FINANCIAL PERFORMANCE* IN Q2 2017

- **Revenue** EUR 281.3 million (320.7)
 - Down by 4.0% in comparable businesses
- **Gross margin** 56.1% (57.3%)
 - Up in Stockmann Retail due to the divestment of Hobby Hall and improvements in the department store business, down in Lindex
- **Operating costs** EUR 128.4 million (151.8)
 - Down by EUR 23.4 million due to lower personnel and other costs
- **EBITDA** EUR 29.5 million (32.0)
- **Depreciation** EUR 14.9 million (14.5)
- **Operating profit** EUR 14.6 million (17.5)
 - Improvements in both Stockmann Retail and Real Estate

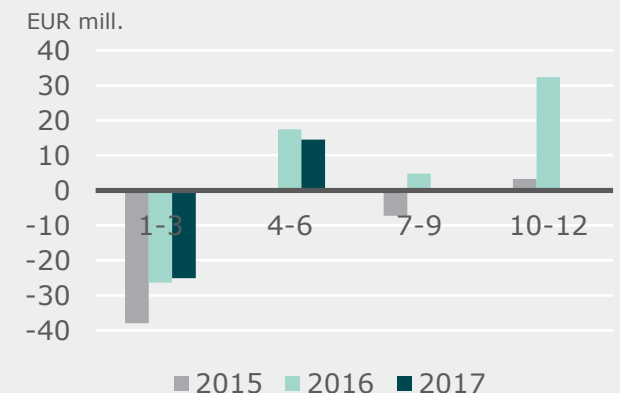
* Continuing operations

Delicatessen in Finland is classified as asset held for sale and reported as discontinued operations, and therefore not included in the presented figures.

QUARTERLY REVENUE



QUARTERLY OPERATING RESULT Adjusted





KEY FIGURES

		Q2/2017	Q2/2016	1-6/2017	1-6/2016	1-12/2016
Equity ratio	%			46.9	46.0	48.3
Gearing	%			76.5	76.2	68.3
Net financial items*	EUR mill.	-10.8**	-4.7	-15.4**	-8.9	-23.1
Result for the period*	EUR mill.	-1.1	4.6	-28.0	-23.0	-7.5
Earnings per share*	EUR	-0.03	0.05	-0.42	-0.36	-0.18
Net earnings per share, including discontinued operations	EUR	-0.09	-0.04	-0.52	-0.35	-0.12
Cash flow from operating activities	EUR mill.	48.2	54.4	-29.9	-20.9	41.5
Inventories	EUR mill.			166.2	169.6	180.7
Capital expenditure	EUR mill.	7.9	13.6	15.7	19.5	44.2
Depreciation	EUR mill.	14.9	14.5	29.9	28.0	57.3
Property, plant and equipment	EUR mill.			1 024.5	1 003.6	1 045.9
Balance sheet total	EUR mill.			2 199.5	2 230.0	2 241.2

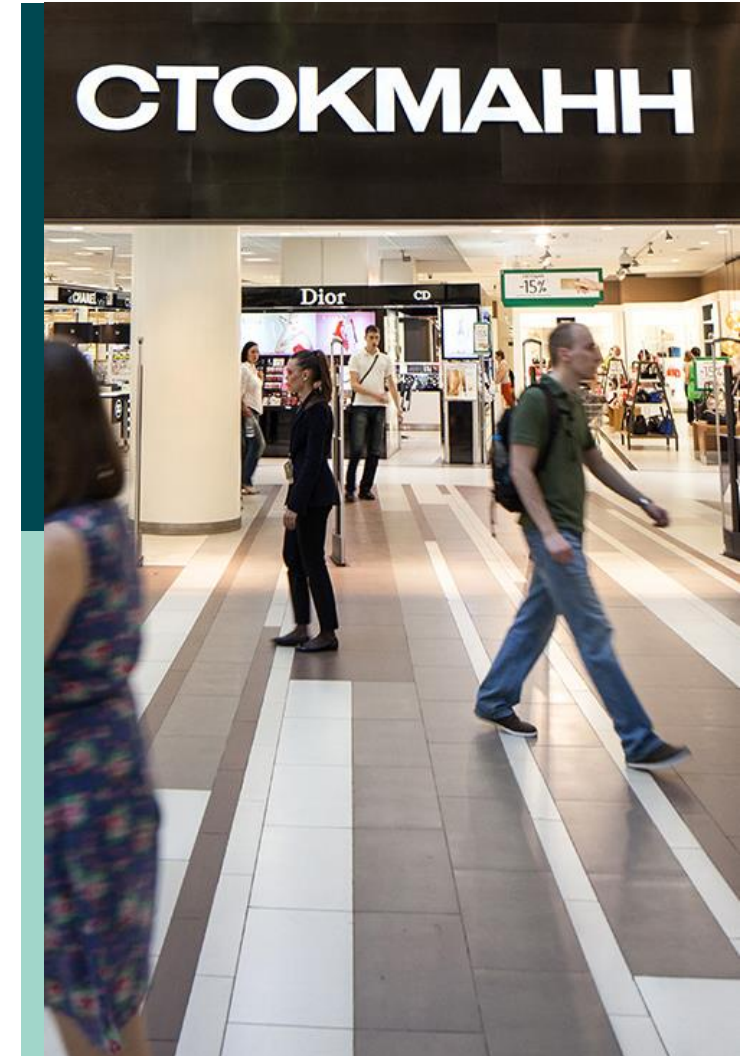
* Continuing operations.

** Includes a write-off of EUR 3. 8 million related to Stockmann's investment in Tuko Logistics Cooperative.



EXTENDED BRAND LICENSE AGREEMENT IN RUSSIA

- Stockmann has signed an extended license agreement with AO Stockmann, a company owned by Reviva Holdings Limited, on the usage of the Stockmann brand in Russia in 2018-2023
- Reviva acquired Stockmann's department stores in Russia in February 2016 with the right to use the Stockmann brand in Russia until 2018
- Reviva will continue to run the Stockmann department stores under the current brand in Russia
- Plans to expand Stockmann branded retail into new stores
- License income is not expected to have a significant effect on Stockmann plc's earnings in 2017 or 2018
- From 2019 onwards, the license fee will be based on the revenue under the Stockmann brand in Reviva's Russian retail units



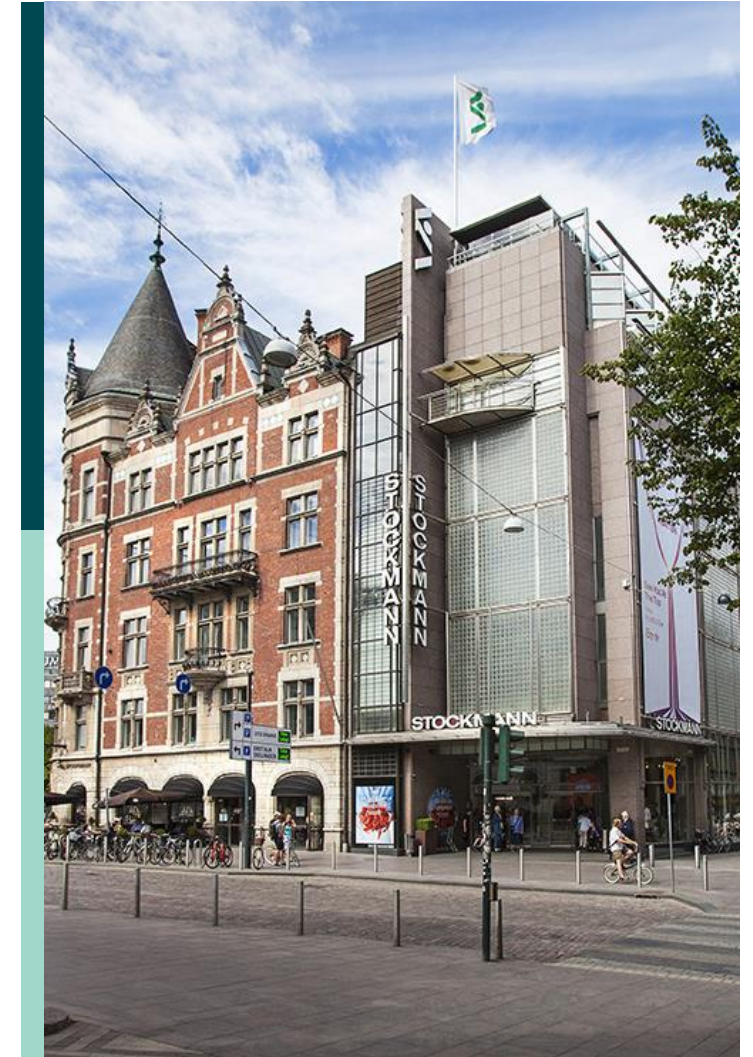


MARKET ENVIRONMENT AND OUTLOOK FOR 2017

- Market environment
 - In **Finland**, economy has begun to recover, but consumers' purchasing power is not expected to increase and purchasing behaviour is changing
 - In **Sweden**, fashion market expected to decline in 2017
 - In the **Baltics**, outlook better than for the other market areas
 - In **Russia**, economy expected to recover gradually
- Stockmann Group's operating result
 - Improvements to come mainly from **Stockmann Retail**
 - **Real Estate** expected to continue its stable profitable performance
 - **Index** operating profit will be clearly down on the previous year's record-high earnings

Guidance for 2017 remains unchanged

- Stockmann expects the Group's revenue for 2017 to decline due to changes in store network and product mix
- Adjusted operating profit is expected to improve



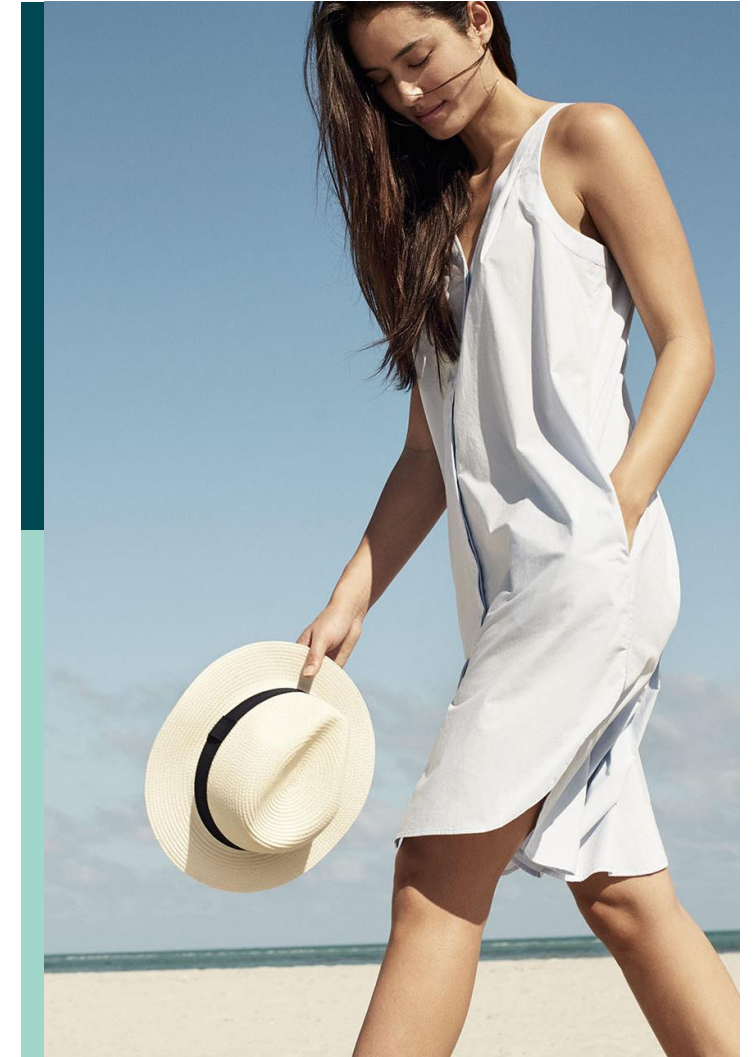


LINDEX



LINDEX, HIGHLIGHTS IN Q2 2017

- **Increased sales** in all markets except the Nordic countries, which resulted in decrease in total sales and profitability
- Higher markdowns due to **price-driven campaigning** and larger summer sale
- Continuously increased sales and traffic for **e-commerce**
- **Lindex mobile app** released internally and to selected test customers
- Awarded **Omnichannel of the year** in Sweden
- Several launches of exciting **sustainability initiatives**
 - One Bag Habit – a joint initiative from Lindex, H&M and KappAhl for a more sustainable shopping bag consumption
 - Unique industry commitment for more sustainable cotton – The Prince of Wales International Sustainability Unit
 - WE Women by Lindex to take action for gender equality in the supply chain

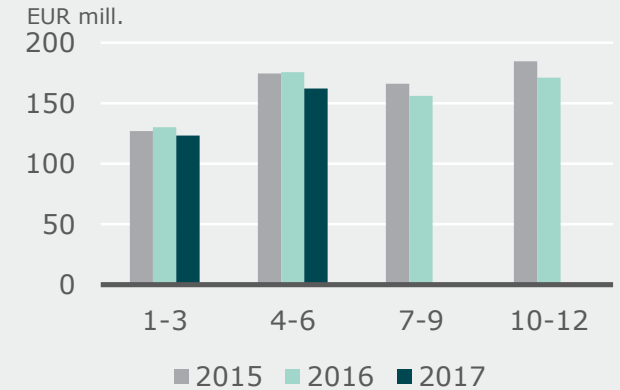




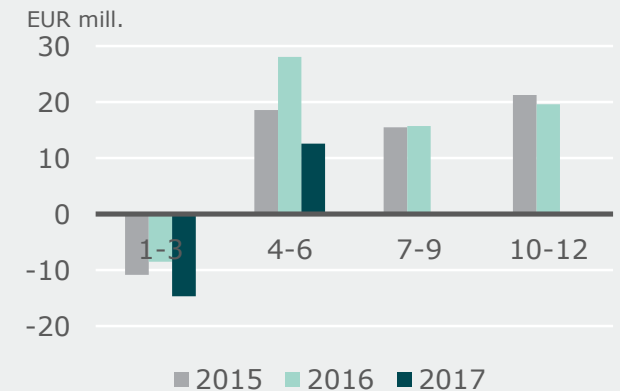
LINDEX, FINANCIAL PERFORMANCE IN Q2 2017

- **Revenue** down 7.7% to EUR 162.1 million (175.6), or down 7.6% excluding Russian stores in 2016
 - Comparable store sales -5.1% due to decrease in the Nordic countries
- **Gross margin** 60.6% (65.8%)
 - Higher markdowns than in the previous year
 - Redefined treatment of inventory obsolescence improved the 2016 comparison figure
- **Operating costs** down EUR 1.9 million
 - Down due to currency exchange rates
- **Operating profit** EUR 12.6million (28.1)
 - Down due to lower sales and gross margin

QUARTERLY REVENUE



QUARTERLY OPERATING RESULT



INTERNATIONAL EXPANSION



- **Store network** on 30 June 2017
 - 478 stores in 16 countries, of which 41 franchising stores
 - 4 stores opened and 2 closed in Q2 2017
- **New stores & markets in 2017**
 - Over 15 new own stores in 2017
 - Net increase of stores lower, due to some store closures in all markets
 - New franchising stores in the Balkan area
 - New franchising markets Qatar and Tunis



LINDEX WAY FORWARD

- Intensified action to improve sales and profitability
- Launch of **new assortment concepts** for all business areas
- **Pants solution** – a new and easy way to find favourites and shop
 - Both in the stores and online
- Implementing and developing the **new marketing set up**
 - Focus on digital
- **Digital expansion** and increased focus on **enhanced customer experience** both in stores and online
 - Launch of Lindex mobile app in Sweden and Norway
 - Release of a new responsive website
 - My Store Project – iPads for the sales personnel in the stores
- **New appointments**
 - Ulrika Andersson, CFO
 - Sanna Lindgren, HR & Communications Director

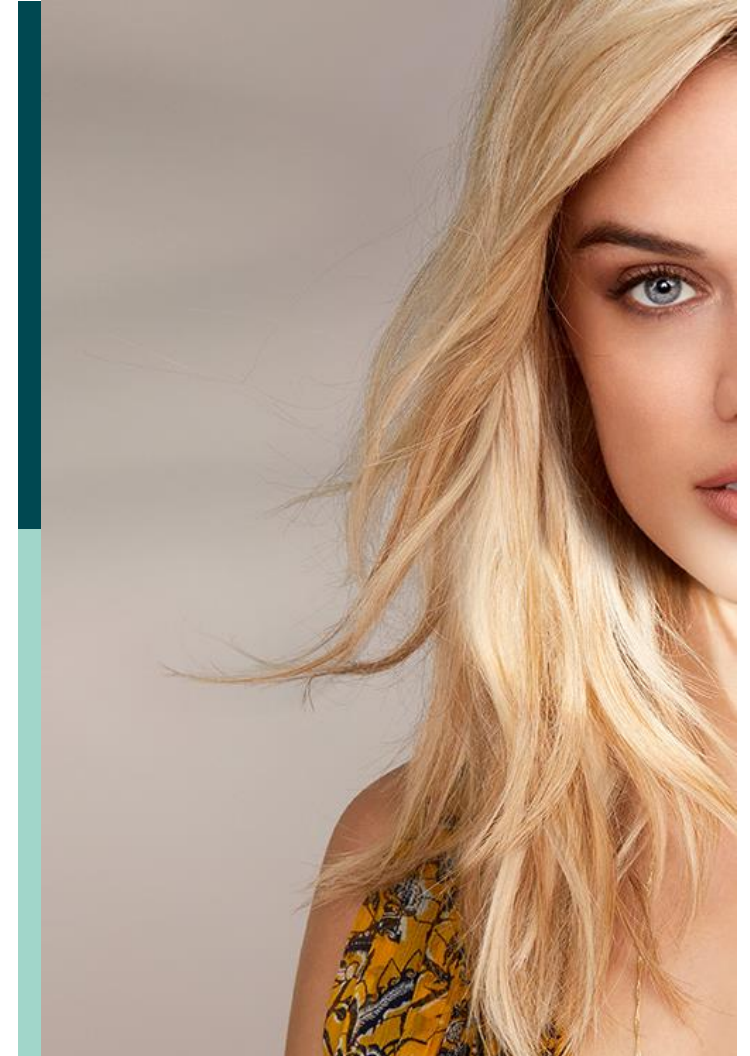


STOCKMANN RETAIL



STOCKMANN RETAIL, HIGHLIGHTS IN Q2 2017

- **Operating result** excluding Hobby Hall improved by EUR 9.2 million
 - Improved gross margin
 - Efficiency programme generating cost savings according to plan
- Comparable revenue has stabilised, good sales for regular priced items
 - Best growth in Tallinn, Riga and Itis
- Successful **campaigns**, e.g. Under the Sun cosmetics campaign in June and Crazy Days particularly in the Baltics and the online store
- **Tourist activities** boosted tax free sales
- Active participation in events, such as a pop-up store in Turku in the Tall Ships Races
- **Design from Finland** mark to Stockmann's own brands
 - Fashion: cut & pret, A+more, Global Essentials, NOOM, Bodyguard, Cap Horn, BEL, Bogi, CUBE CO and new NOOM loungewear (to be launched in September)
 - Home: Casa Stockmann and Villa Stockmann





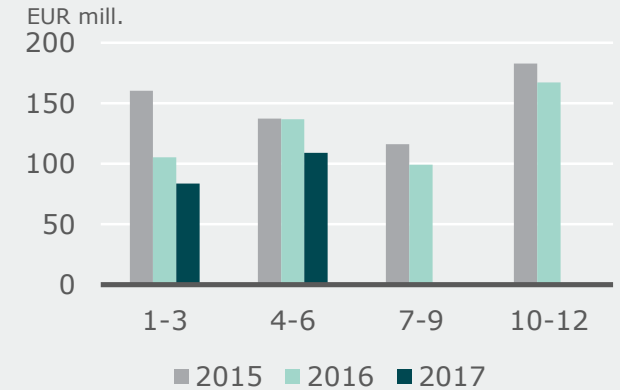
STOCKMANN RETAIL, FINANCIAL PERFORMANCE* IN Q2 2017

- **Revenue** EUR 109.1 million (136.7)
 - Revenue in comparable businesses on a par with the previous year
- **Gross margin** 45.8% (45.3 or 43.3 incl. Hobby Hall)
 - Increase mainly due to the divestment of Hobby Hall with a lower gross margin
 - Improvements also in the department store operations
- **Operating costs** EUR 43.6 million (59.4 or 66.0 incl. Hobby Hall)
 - Savings in personnel costs due to the efficiency program
- **Operating result** EUR -2.6 million (-11.8 or -14.2 incl. Hobby Hall)

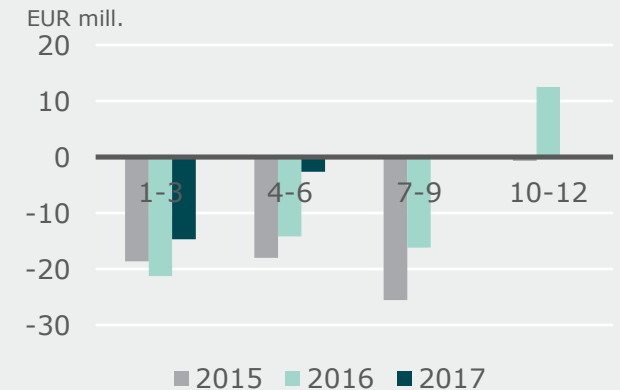
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QUARTERLY REVENUE



QUARTERLY OPERATING RESULT Adjusted



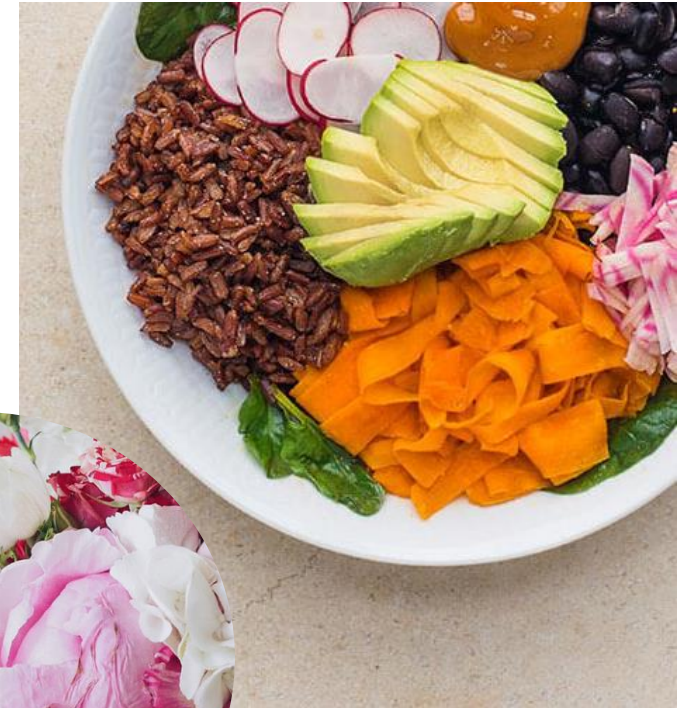


HIGH QUALITY SELECTION AT THE HEART OF STOCKMANN

OWN SELECTION: FASHION, BEAUTY & HOME



FOOD EXPERIENCES & PARTNER OFFERING





AUTUMN CAMPAIGN WILL FOCUS ON INSPIRING FASHION & LIFESTYLE CONTENT

- Omnichannel approach: print magazine, web, mobile, social media, marketing campaigns, newsletters, store visual merchandise etc.



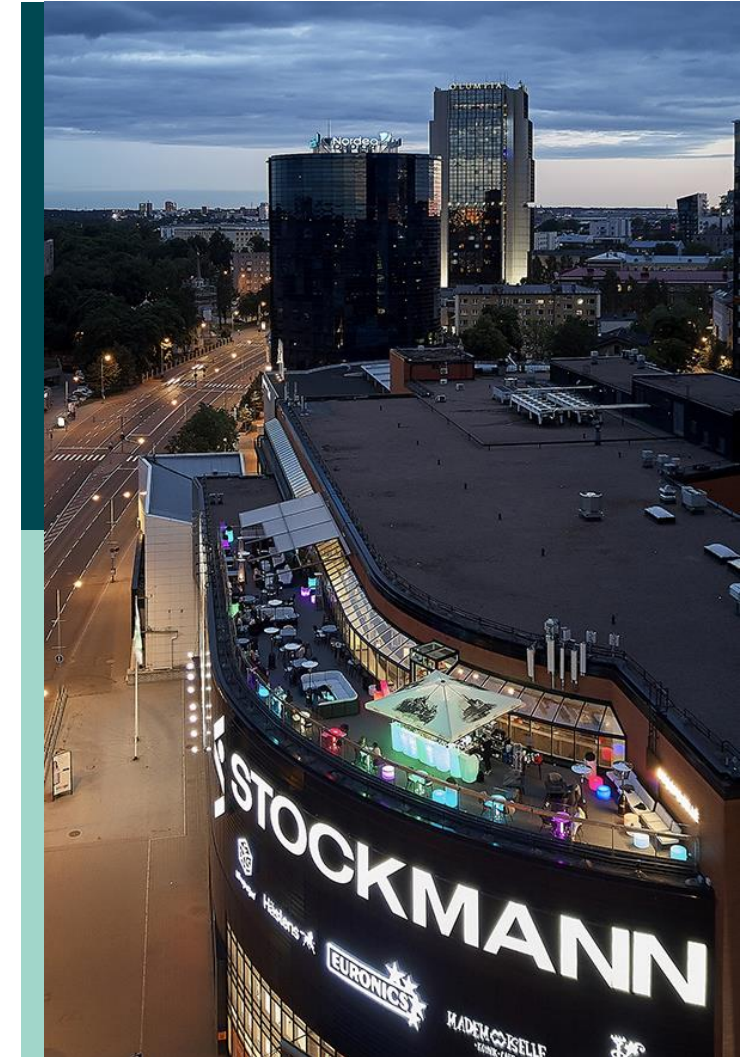


REAL ESTATE



REAL ESTATE, HIGHLIGHTS IN Q2 2017

- Increased **revenue** and **operating profit**
 - Main reason for the increase was **higher rental income** particularly in Nevsky Centre
- **Partners** offer new experiences to customers in the stores
 - Summer restaurant terraces opened on the department store roofs in Helsinki in May and in Tallinn in July
- Several **new tenants** in Nevsky Centre
 - Investigation related to the divestment of Nevsky Centre progressing according to plan

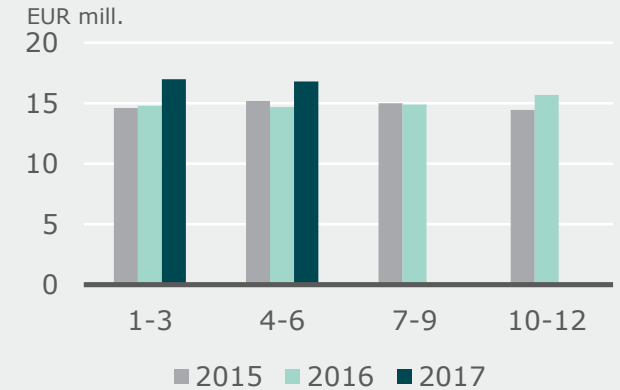




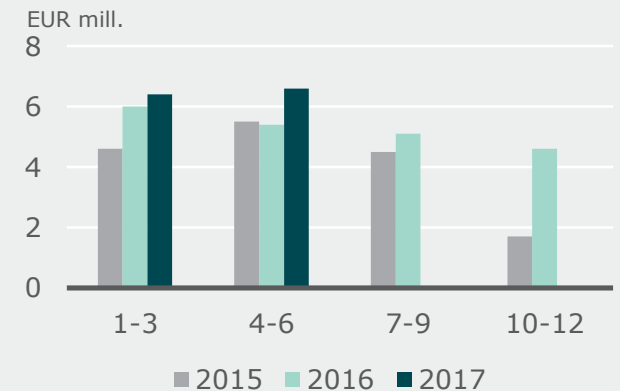
REAL ESTATE, FINANCIAL PERFORMANCE IN Q2 2017

- **Value** of the properties EUR 940.1 million at 30 June 2017 (944.7 on 31 March 2017 and 950.1 on 1 January 2017)
- **Occupancy rate** 99.6% (96.7%)
- **Net operating income** from own properties EUR 12.9 million (10.2)
 - Average monthly rent EUR 37.39 per sqm (33.26)
 - Net rental yield in January-June 5.5% (4.9%)
- **Revenue** EUR 16.8 million (14.7)
 - Higher rental income particularly in Nevsky Centre
 - Strengthened **Russian rouble** exchange rate
- **Operating profit** EUR 6.6 million (5.4)

QUARTERLY REVENUE



QUARTERLY OPERATING RESULT





REAL ESTATE, STOCKMANN-OWNED PROPERTIES

Key figures

30.6.2017

Gross leasable area (GLA) 142 000 sqm, of which 42% in Finland

Occupancy rate 99.6%



Helsinki flagship building
Occupancy rate 99.8
GLA 51 000
Usage by Retail 77% (68*)



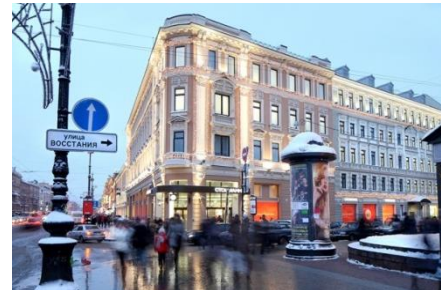
Book House, Helsinki
Occupancy rate 100.0
GLA 9 000
Usage by Retail 30% (8*)



Tallinn department store building
Occupancy rate 99.8
GLA 22 000
Usage by Retail 84%



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



Nevsky Centre, St Petersburg
Occupancy rate 99.0
GLA 46 000
Usage by Retail 0%

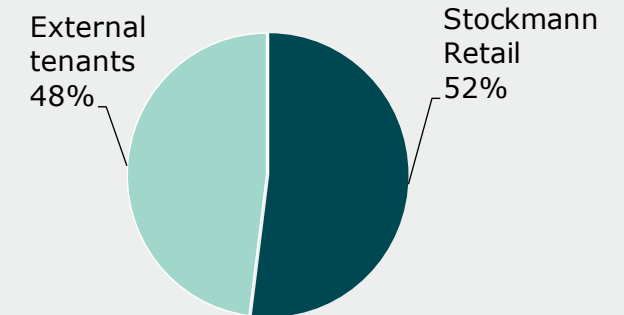
* When the Delicatessen transaction is completed.

Fair value of properties

1.1.2017, EUR mill.

950.1 ↑
(1.1.2016: 918.2)

Usage of properties 30.6.2017



Excluding Nevsky Centre, share of Stockmann Retail **76%** or **69%** when the Delicatessen transaction is completed.



THANK YOU, Q&A





FURTHER INFORMATION:

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