



FINANCIAL STATEMENTS 2016

Stockmann Group | 15 February 2017

STOCKMANN



YEAR 2016: OPERATING RESULT BACK TO PROFIT

Gross margin

↑ **53.4%**
(50.6%)

Adjusted operating profit, EUR mill.

↑ **20.2**
(-28.5)

Reported operating profit, EUR mill.

↑ **17.6**
(-52.5)

- **Stockmann Group**

- Adjusted operating profit up by EUR 49 million
- All divisions improved operating results
- Target of the efficiency programme reached: operating costs down by EUR 66 million
- Hobby Hall divested on 31 December 2016

- **Lindex**

- All-time high sales in the first half of 2016
- Operating profit up by over EUR 10 million

- **Stockmann Retail**

- Improved operating result and gross margin
- Operating costs down by over EUR 50 million

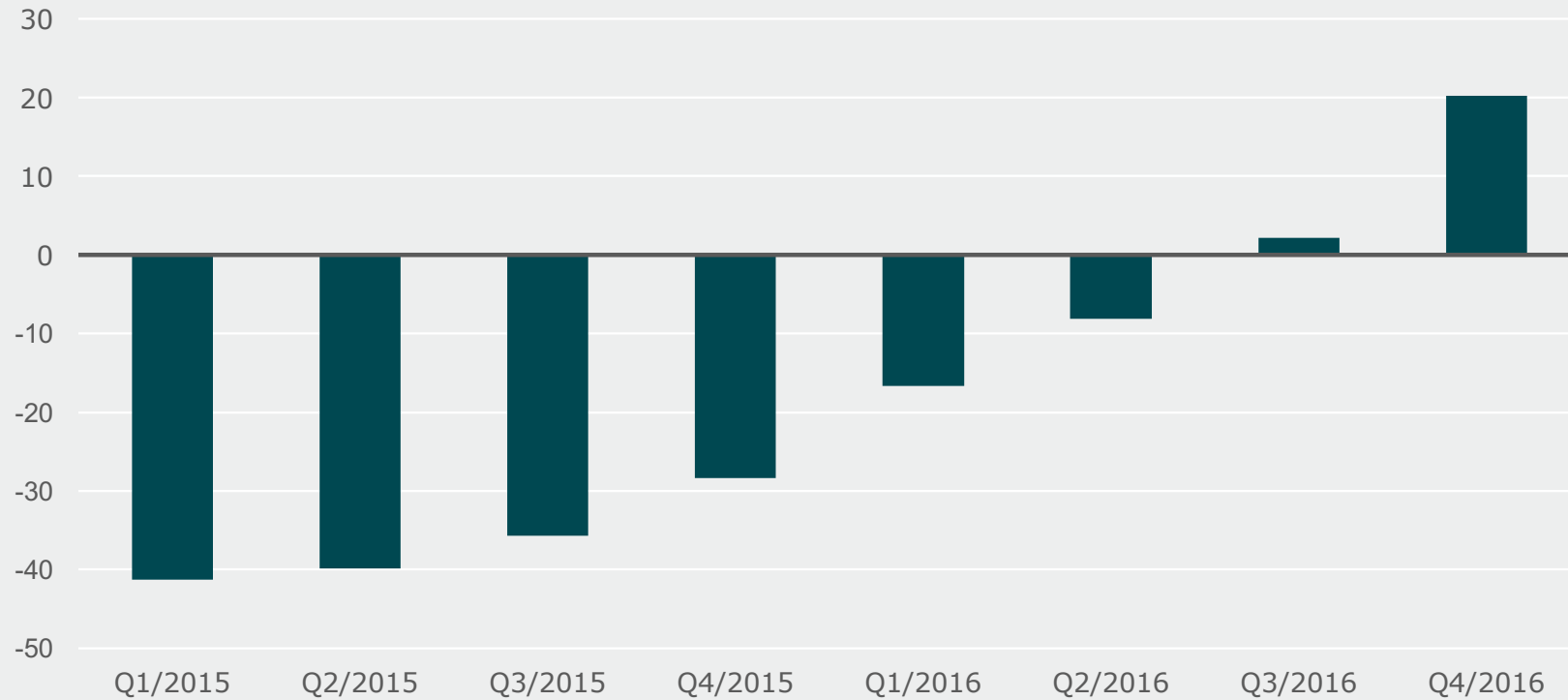
- **Real Estate**

- Improved operating profit and fair value of properties
- Several new attractive tenants in Finnish and Baltic properties



TURNAROUND ON TRACK

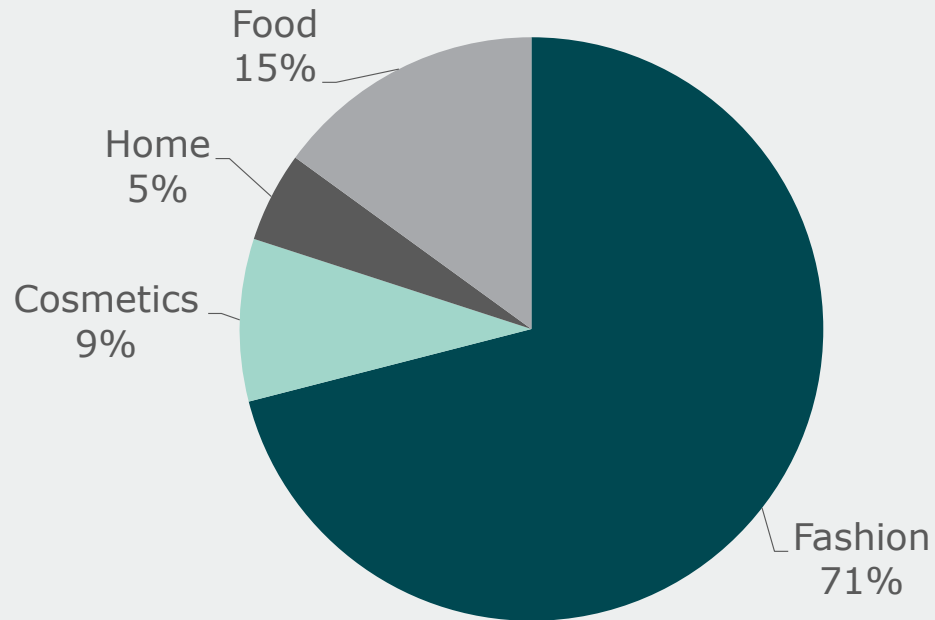
Stockmann Group, rolling 12-month adjusted operating profit (EBIT)





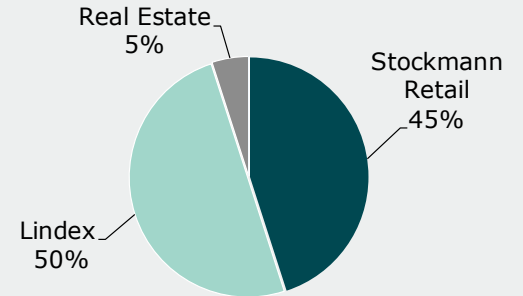
FOCUS ON KEY BUSINESSES

MERCHANDISE SALES 2016

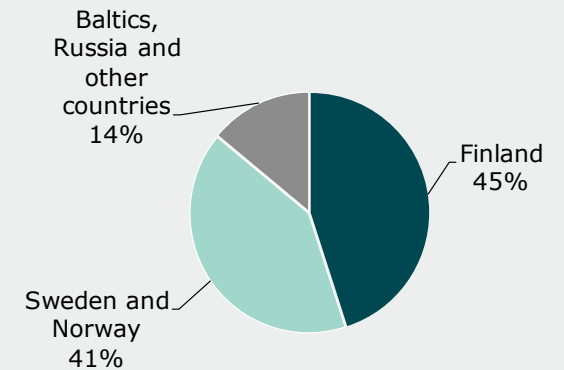


All figures excluding Hobby Hall and discontinued operations

REVENUE 2016 BY DIVISION



REVENUE 2016 BY MARKET

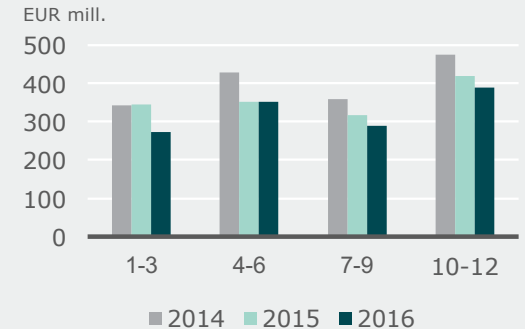




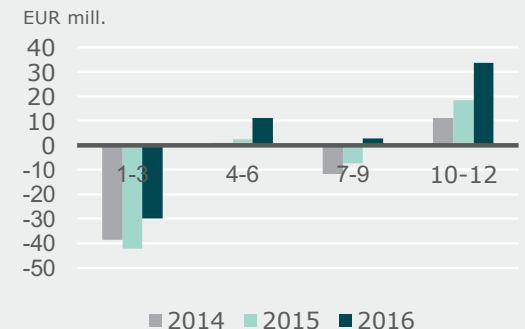
STOCKMANN GROUP, FINANCIAL PERFORMANCE IN Q4 2016

- **Revenue** EUR 388.4 million (EUR 420.0 million)
 - Down by 6.5% in continuing product areas and businesses
- **Gross margin** 53.5 % (51.0 %)
 - Improvements in both Stockmann Retail and Lindex
- **Adjusted operating costs** EUR 155.9 million (EUR 176.2 million)
 - Costs down EUR 20.3 million due to lower personnel costs
 - Adjustments EUR 2.6 million (EUR 14.2 million)
- **Adjusted EBITDA** EUR 51.9 million (EUR 37.9 million)
- **Depreciation** EUR 15.4 million (EUR 19.4 million)
 - Less investments and reclassification of Nevsky Centre as investment property
- **Adjusted operating profit** EUR 36.5 million (EUR 18.5 million)
 - Improvements in both Stockmann Retail and Real Estate
 - Reported operating profit EUR 33.8 million (EUR 4.3 million)
- **Earnings per share** EUR 0.29 (EUR -0.27)

QUARTERLY REVENUE



QUARTERLY OPERATING RESULT Adjusted





KEY FIGURES

| | | Q4/2016 | Q4/2015 | 1-12/2016 | 1-12/2015 |
|--|-----------|-------------|---------|----------------|-----------|
| Equity ratio | % | | | 48.3 | 46.1 |
| Gearing | % | | | 68.3 | 72.1 |
| Net financial costs* | EUR mill. | 9.1 | 7.2 | 23.1 | 21.2 |
| Result for the period | EUR mill. | 22.4 | -19.1 | -18.2 | -88.9 |
| Earnings per share | EUR | 0.29 | -0.27 | -0.33 | -1.24 |
| Net earnings per share, including discontinued operations | EUR | 0.36 | -1.26 | -0.12 | -2.43 |
| Cash flow from operating activities | EUR mill. | 96.1 | 97.0 | 41.5 | 17.2 |
| Inventories | EUR mill. | | | 180.7 | 170.8 |
| Capital expenditure | EUR mill. | 14.7 | 16.5 | 44.2 | 53.4 |
| Depreciation | EUR mill. | 15.4 | 19.4 | 59.2 | 71.9 |
| Property, plant and equipment | EUR mill. | | | 1 045.9 | 1 016.2 |
| Balance sheet total | EUR mill. | | | 2 241.2 | 2 273.9 |

* Includes adjustments of EUR 5.0 million (2015: EUR 3.3 million).



MARKET ENVIRONMENT AND OUTLOOK FOR 2017

- In **Finland**, economy has slowly begun to recover. GDP is expected to grow slightly. Consumers' purchasing power is not expected to increase.
- In **Sweden**, GDP growth estimate remains on a higher level than in Finland. Steady growth in the fashion market stagnated in 2016, and growth rate is expected to remain at the same level in 2017.
- In the **Baltic countries**, GDP growth is estimated to continue. The outlook is expected to be better than for the other market areas.
- In **Russia**, economy is expected to recover gradually, but purchasing power of Russian customers remains low.
- Stockmann expects the **Group's revenue** for 2017 to decline mainly due to changes in store network and product mix
 - Revenue of Hobby Hall and Oulu in total EUR 104.7 million in 2016
- **Adjusted operating result** is expected to improve
 - Improvement will mainly come from Stockmann Retail which is still loss-making
 - **First-quarter** operating result will be negative due to normal seasonal variations
- **Capital expenditure** is estimated to be approximately EUR 45-50 million, which is less than the estimated depreciation for 2017





CHANGES IN SALES REPORTING IN 2017

- Due to the new Market Abuse Regulation (MAR) and changes in the rules by the Nasdaq Helsinki, monthly sales figures are not regarded as insider information anymore.
 - Sales development should be published as a press release, not as a stock exchange announcement.
- As a consequence, Stockmann has decided that it will no longer publish monthly sales releases in 2017
- Merchandise sales do not give a comprehensive view of the monthly revenue, or the profitability
 - Part of merchandise sales is replaced by rental income from tenants in Real Estate
 - Part of merchandise sales is replaced by service and sales income due to new business models in Stockmann Retail, such as concession
- In 2016
 - Group's merchandise sales excluding Hobby Hall EUR 1 165 million vs. revenue excluding Hobby Hall EUR 1 228 million
 - Retail's merchandise sales excluding Hobby Hall EUR 536 million vs. revenue excluding Hobby Hall EUR 561 million
 - *(Figures excluding Hobby Hall updated to the presentation)*

Group's revenue in January 2017 (vs. January 2016)

Lindex -6.2%
- Comparable currencies -4%

Stockmann Retail -1.4%
- Finland -1.6%
- Baltics -0.3%

Group, total -2.7%

*Excluding Hobby Hall and
Oulu department store*



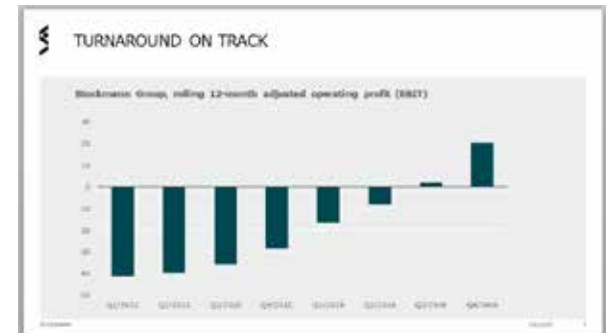
ENTERING THE NEXT PHASE: FOCUS ON CUSTOMER EXPERIENCE

- Key focus for Stockmann is to create new reasons to visit our stores, in order to increase traffic and sales
- We are on track to reach our target of achieving a positive operating profit for Stockmann Retail by the end of 2018

People & culture
One Stockmann
Empowered employees

Efficiency
Focus on core businesses
Cost efficiency
Effective supply chain with a new distribution centre

Customer
Premium shopping experience
Leading-edge selection in fashion, beauty, home and food
Excellent customer service and inspiring scene



LINDEX



LINDEX, HIGHLIGHTS IN 2016

- **Best sales ever** for the first half of 2016, **all-time high** result for Q2
- Successful campaigns and improvements in meeting the customer
- Tough autumn with reduced traffic in the stores and high comparable sales figures
- **Reduced** number of unprofitable stores and lower costs
- Launch of new communication concept: **We Make Fashion Feel Good**
- **Kid's wear:** Well received introduction of Holly & Whyte
- Successful integration of **plus sizes** into all core concepts
- Great progress in the **sustainability work**
 - **More than 50%** of Lindex clothes are made of more sustainable materials
 - Launch of **Reuse Recycle** possibility in all Nordic markets
- Launch of new **store concept**
 - Focus on enhanced digital shopping experience
 - Customer in focus

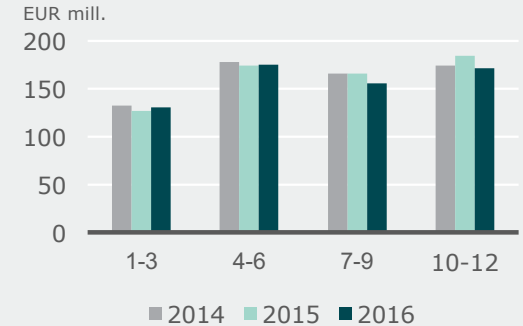




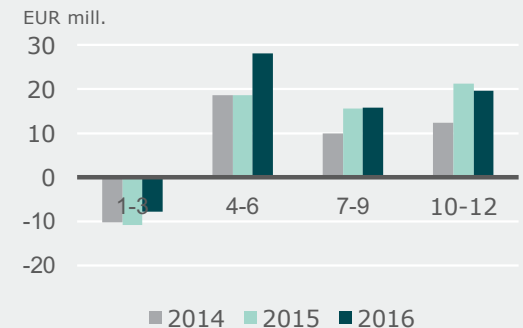
LINDEX, FINANCIAL PERFORMANCE IN Q4 2016

- **Revenue** down 7.2% to EUR 171.3 million (EUR 184.6 million)
 - At comparable exchange rates down 4.7%, or 4.0% in comparable stores
 - Fantastic sales on Black Friday in November, but Christmas trade did not reach its target particularly in Finland and in Sweden
- **Gross margin** 67.6% (62.6%)
 - Increase due to a redefined treatment of inventory obsolescence and a correction related to allocation of warehouse expenses
 - Gross margin 65.0 % (62.6.%) excluding effect from the correction
- **Operating costs** up by EUR 2.3 million
 - Due to currency exchange rates, costs in SEK down on the previous year
- **Operating profit** EUR 19.6 million (EUR 21.3 million)
- **Operating profit 2016** EUR 54.9 million (EUR 44.6 million)
- **Capital expenditure 2016** EUR 17.7 million (EUR 21.9 million)

QUARTERLY REVENUE



QUARTERLY OPERATING RESULT





INTERNATIONAL EXPANSION



- **Store network**
on 31 December 2016
 - **475 stores in 16 countries**, of which 39 franchising stores
 - 2 stores opened and 3 closed in Q4 2016
 - 13 stores opened and 25 closed in full-year 2016
- **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



- Strong **sales focus** with **customer in center**
- Launch of new **assortment strategy** for all product areas in order to achieve greater clarity
- **Digital expansion** and increased focus on enhanced customer experience online

STOCKMANN RETAIL



STOCKMANN RETAIL, HIGHLIGHTS IN 2016

- Operating **result improved** by approx. EUR 20 million
 - **Efficiency programme** generates cost savings according to plan
- Withdrawal from non-profitable businesses affected revenue significantly
 - Changes in product mix and reduced store space
 - Department store operations in Russia sold on 1 February 2016
 - Hobby Hall sold on 31 December 2016
- Building premium shopping environments
 - Large refurbishments in accessories, beauty and home departments in the **Helsinki Flagship** department store
 - **Delicatessen in Turku** completely refurbished
 - **New department store in Tapiola** will open on 16 March 2017
- Improved online presence
 - New **Crazy Days** online store launched in October
 - New **stockmann.com** online store launched in November
 - More continuous digital marketing instead of price driven campaigns
- New **distribution centre** in full capacity since autumn 2016

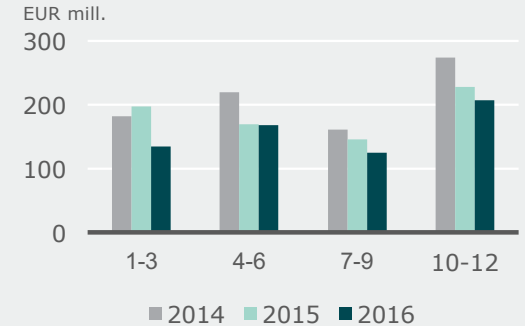




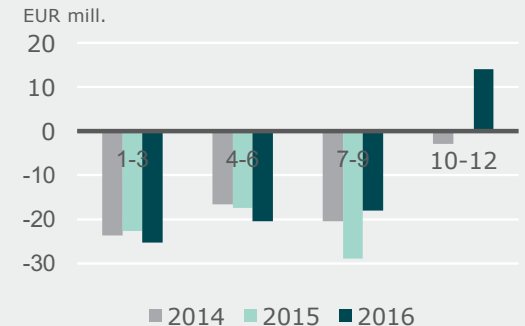
STOCKMANN RETAIL, FINANCIAL PERFORMANCE IN Q4 2016

- **Revenue** EUR 207.6 million (EUR 228.5 million)
 - Down by 8.3% in continuing product areas and businesses
 - Best development in the Baltic stores
 - Revenue declined most in Oulu, where the store was closed on 31 January 2017
 - Department store in Tapiola suffered from renovations in the area
- **Gross margin** 41.7 % (39.2%)
 - Up due to more efficient buying, changes in product mix and less discounts
- **Operating costs** EUR 69.2 million (EUR 87.0 million)
 - Costs down by EUR 17.8 million mostly due to lower personnel costs
- **Operating result** EUR 14.0 million (EUR 0.4 million)
 - Department store business: EUR 13.0 million (EUR 2.4 million)
 - Hobby Hall: EUR 1.1 million (EUR -1.9 million)
- **Operating result 2016** EUR -49.8 million (EUR -72.9 million)
- **Capital expenditure 2016** EUR 21.2 million (EUR 25.8 million)

QUARTERLY REVENUE



QUARTERLY OPERATING RESULT Excluding adjustments





OVER 30 NEW BRANDS AND POP-UPS IN SPRING 2017



PINKO



elaine™

metsola®



DEFEND
PARIS

Japan
RAGS

OSCAR
JACOBSON

Lipault
PARIS

Joseph Ribkoff



A + m o r e



.Delicatelove.



G comma
casual identity

SCANPAN®
DENMARK

PAPU

Happy Socks®



Filippa K

SNURK



MICHAEL KORS



GUGU
KIDS FASHION

Superdry.

MATRIX
BIOLAGE



real
Techniques®
by Samantha Chapman

FUDGE
PROFESSIONAL

john
masters
organics



KOSTA
BODA
SWEDEN 1742

cofur
Colonial Furniture & Design

SKAN
D * N A
V I S K

iris hantverk:

SEVERIN
GERMAN QUALITY. SINCE 1892.

VIVARAISE



be&liv®



THE NEW STOCKMANN TAPIOLA WILL OPEN ON 16 MARCH 2017

- Completely **new department store concept**
- Effective sales area **9 000 sqm** in total
- Broad **walking boulevards**, displaying seasonal themes, new arrivals and offers for loyal customers
- Several **new international and Finnish brands** in the selection
- **Resting place** for customers with possibilities to use tablets and coffee machines
- **Responsibility** taken into account already in the planning phase
 - Led lighting, energy efficient refrigerators
 - ISO 14001 Environmental Management System
- New underground **Tapiola Park** with 2 000 parking spaces
 - One hour free parking for Stockmann's First and Exclusive loyal customers
- **Easily accessible** by car, forthcoming underground bus terminal and metro

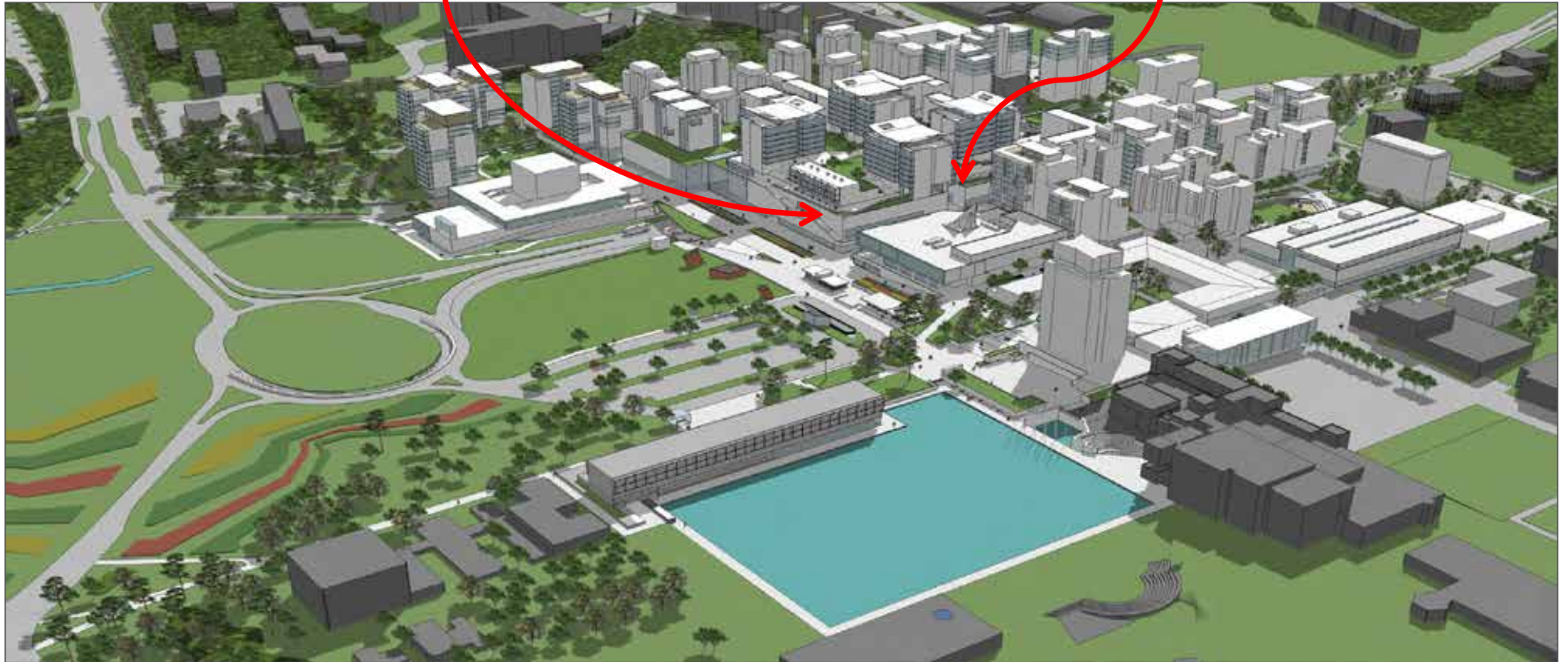




STOCKMANN TAPIOLA, NEW LOCATION

New department store

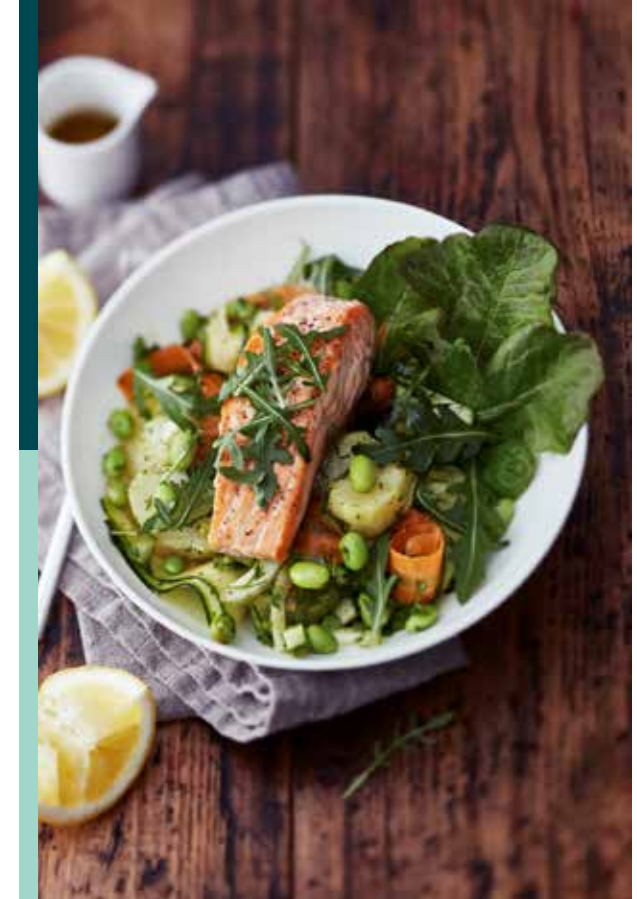
Old department store





STOCKMANN TAPIOLA, NEW DELICATESSEN

- Focus on **fresh food**, high-quality products and **convenience**
- Extensive **service counters** with generous offerings – open throughout the week, even Sundays
- Personal and professional **customer service**
- **Food Market** with a broad selection of ecological products and small local suppliers
- Piloting **“Ready to cook” convenience food** in the meat and fish counters, will extend later to the other department stores
- Assortments for **special diets**: gluten-free, vegetarian etc.
- New service: **Delicatessen’s Hand-made Meals to Go**
 - Order online, pick from Delicatessen or get the bag brought to your home
- **Easy access** from new parking facilities
- Long **opening hours**: Mon-Fri 7-23, Sat 7-21, Sun 10-21



REAL ESTATE



REAL ESTATE, HIGHLIGHTS IN 2016

- **Fair value of department store properties** increased by over EUR 30 million in 2016
- Stable increase in operating profit, partly due to reclassification of Nevsky Centre as an investment property
- **New high-end brands and services** in the totally renewed street floor in the Helsinki flagship store
- Extending product offering in the Finnish department stores with toys, outdoor gear, jewelries & watches etc.
- Completely renewed **fifth floor** in the department store in **Tallinn**, with new food & beverage experiences, services and product areas
- New partners in the second floor of **Riga department store**
- Finalising new tenant mix in the Book House
- Several new tenants in the Nevsky Centre shopping centre
- Investigation of the **possibility to divest Nevsky Centre** in progress

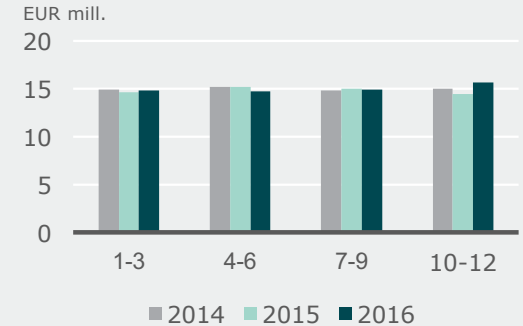




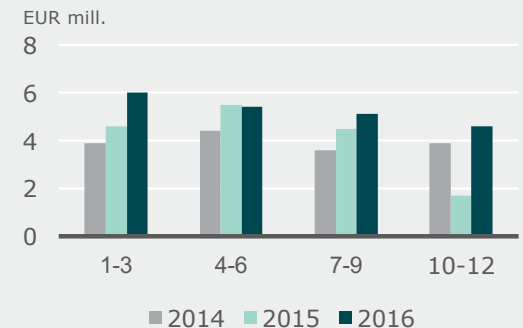
REAL ESTATE, FINANCIAL PERFORMANCE IN Q4 2016

- **Fair value** of the properties EUR 950.1 million at year-end (EUR 918.2 million on 1 January 2016)
- **Occupancy rate** 99.1% (98.5%)
 - Increase in Book House in Helsinki and in Tallinn
- **Net operating income** from Stockmann-owned properties EUR 11.1 million (EUR 9.0 million)
 - Average monthly rent EUR 33.36 per sqm (EUR 33.07) in 2016
- **Revenue** EUR 15.7 million (EUR 14.4 million)
 - Up due to less temporary rent adjustments in Nevsky Centre and new tenants in the department store buildings
- **Operating profit** EUR 4.6 million (EUR 1.7 million)
 - Change in allocation of maintenance expenses in 2015
 - Nevsky Centre treated as an investment property and not depreciated
- **Operating profit 2016** EUR 21.1 million (EUR 16.3 million)
- **Capital expenditure 2016** EUR 5.3 million (EUR 4.8 million)

QUARTERLY REVENUE



QUARTERLY OPERATING RESULT





REAL ESTATE, PROPERTIES

Key figures

31.12.2016

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

Occupancy rate 99.1%



Helsinki flagship building
Occupancy rate 99.8
GLA 51 000
Usage by Retail 78%



Book House, Helsinki
Occupancy rate 100.0
GLA 9 000
Usage by Retail 30%



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 97.6
GLA 46 000
Usage by Retail 0%

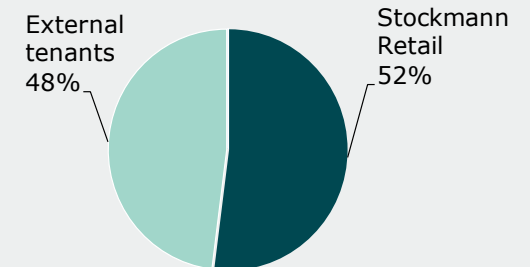
Fair value of properties

31.12.2016, EUR mill.

950.1 ↑
(918.2)

Usage of properties

31.12.2016



Excluding Nevsky Centre, share of Stockmann Retail 76%



NEW CAFÉS IN THE HELSINKI FLAGSHIP





FURTHER INFORMATION:
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