




STOCKMANN


FINANCIAL STATEMENTS 2018

Lauri Veijalainen, CEO, @LauriVeija
Stockmann Group | 14 February 2019



HIGHLIGHTS IN 2018

Group's gross margin
 **56.9%**
(55.8)

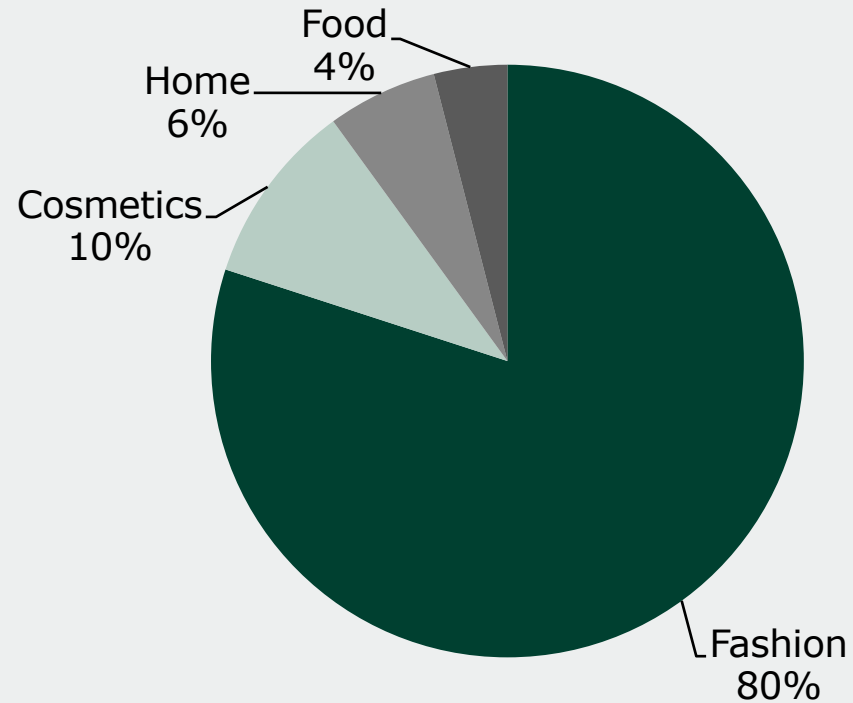
**Group's adjusted
operating result,
EUR mill.**
 **28.4**
(12.3)

- **Stockmann Group**
 - Adjusted operating result improved by EUR 16 million
 - Net interest bearing debt reduced by EUR 196 million
 - Strong growth in the Group's online stores
- **Lindex**
 - Successful turnaround
 - Lindex almost doubled its adjusted operating profit
- **Stockmann Retail**
 - Despite the efforts, Retail did not achieve a positive result
 - Cost reducing project launched in January 2019
- **Real Estate**
 - Steady performance continued
 - Divestment of two investment properties:
Book House in May 2018, Nevsky Centre in January 2019

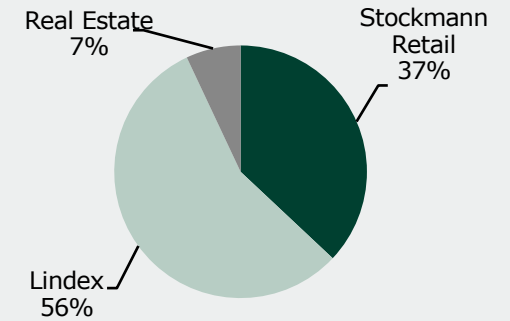


REVENUE IN 2018

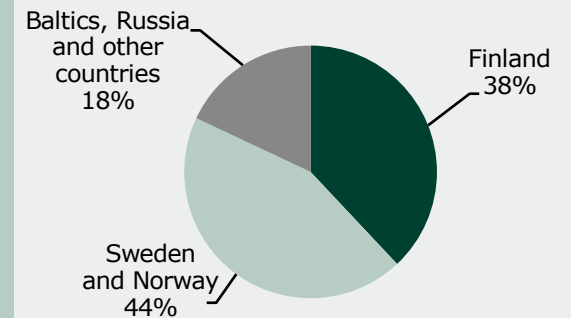
MERCHANDISE SALES 2018



REVENUE 2018 BY DIVISION



REVENUE 2018 BY MARKET



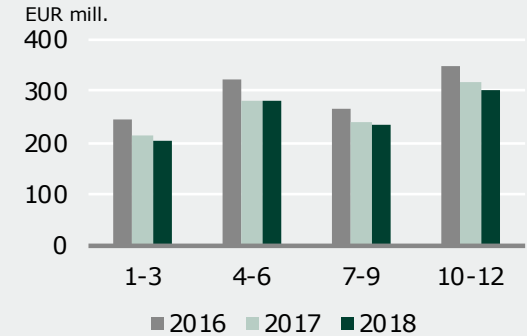


STOCKMANN GROUP, FINANCIAL PERFORMANCE* IN Q4 2018

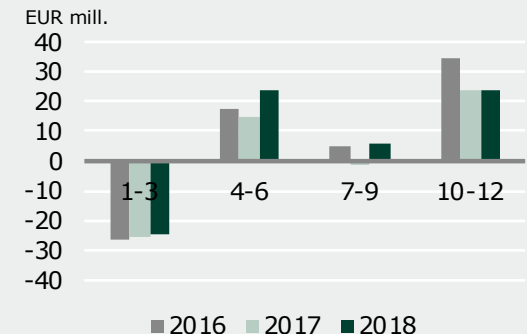
- **Revenue** down by 1.3% in comparable currency rates, to EUR 304.5 million (315.7)
- **Gross margin** 55.6% (56.8)
 - Up in Lindex but down in Stockmann Retail
- **Operating costs** excluding adjustments down by EUR 7.7 million
- **Adjusted EBITDA** EUR 37.5 million (39.8)
- **Depreciation** EUR 13.9 million (20.6)
- **Adjusted operating result** EUR 23.5 million (24.2)
- **Reported operating result** EUR -2.8 million (13.6)
 - Including an impairment of goodwill of EUR 25.0 million
- **Result for the quarter** EUR -7.0 million (-12.2)

* Continuing operations. Delicatessen in Finland, which was divested on 31 December 2017, is reported as discontinued operations and not included in the presented figures.

QUARTERLY REVENUE

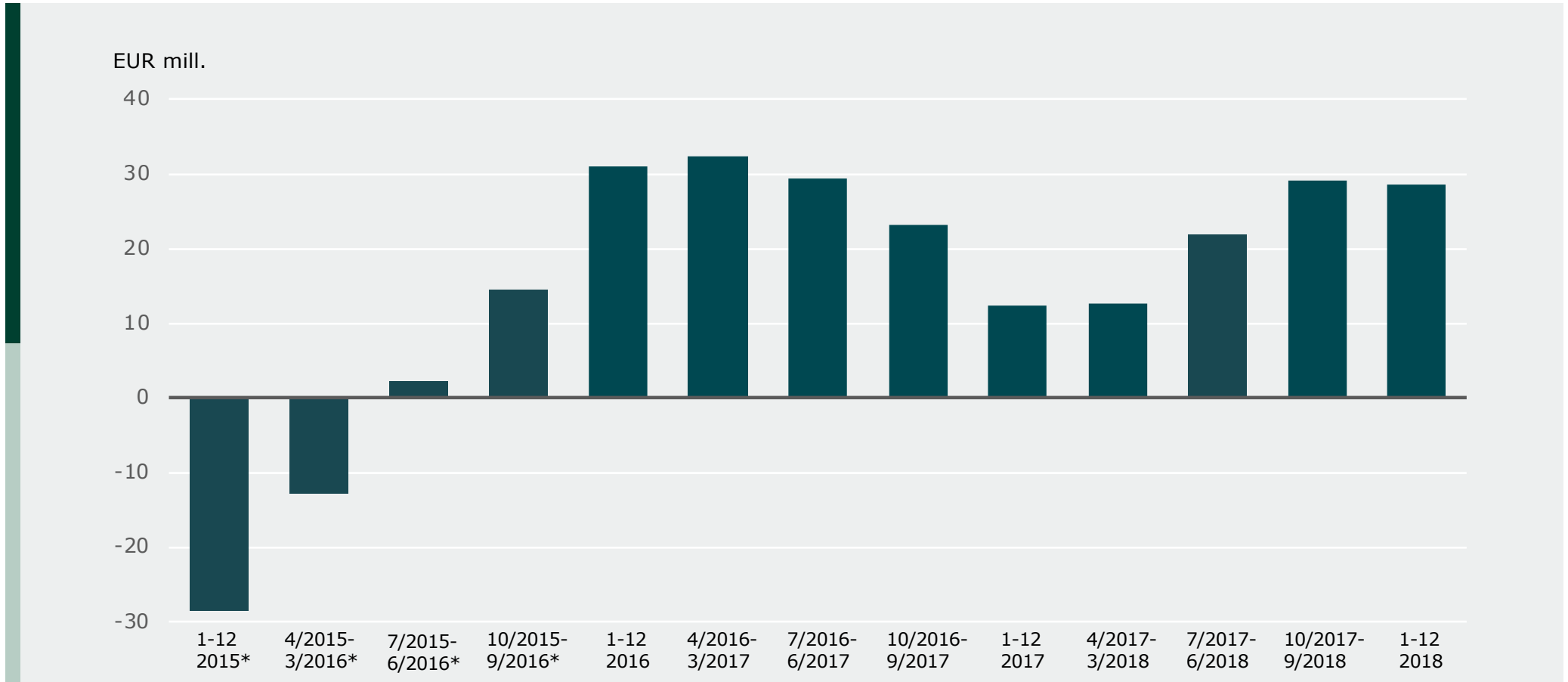


QUARTERLY OPERATING RESULT Adjusted



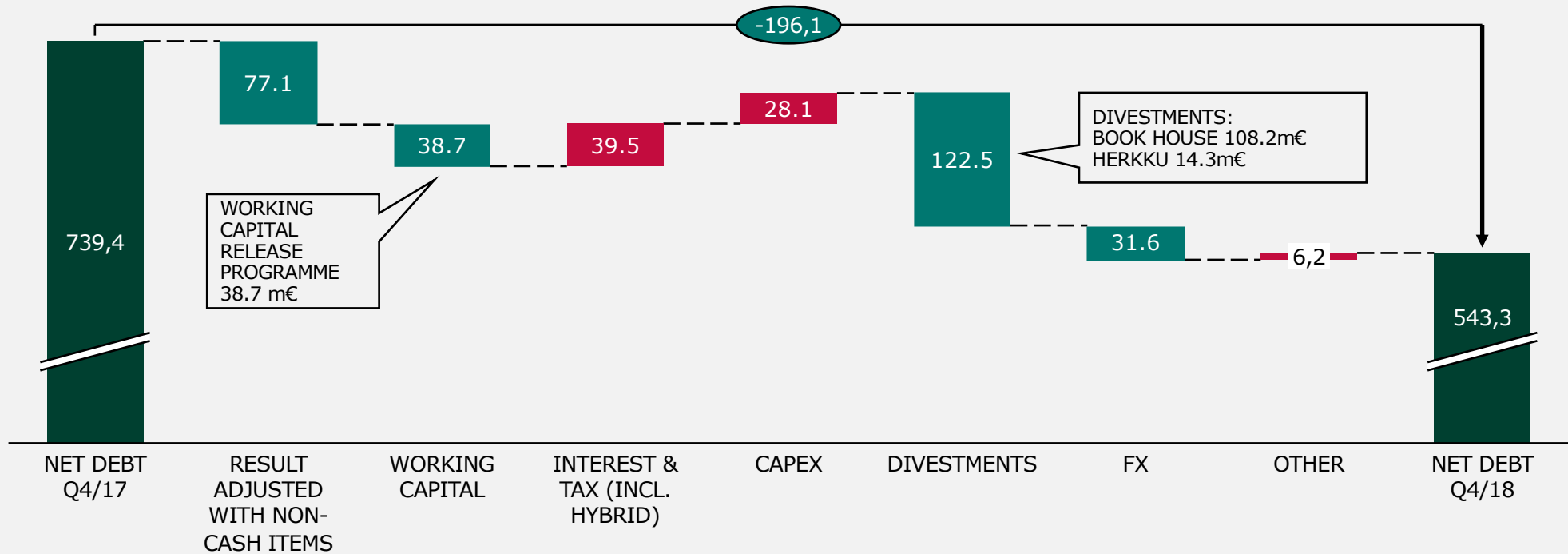


ROLLING 12-MONTH ADJUSTED OPERATING PROFIT (EBIT)





NET DEBT DOWN BY NEARLY EUR 200 MILLION IN 2018



Net debt further down by approx. **EUR 141 million in January 2019** due to the divestment of Nevsky Centre.



KEY FIGURES

		Q4/2018	Q4/2017	1-12/2018	1-12/2017
Equity ratio	%			46.2	43.0
Net gearing	%			64.5	83.8
Net financial items*/**	EUR mill.	-9.2	-10.9	-34.6	-31.1
Result for the period*/***	EUR mill.	-7.0	-12.2	-43.7	-198.1
Earnings per share*/***	EUR	-0.12	-0.19	-0.68	-2.82
Cash flow from operating activities	EUR mill.	82.1	82.2	82.9	18.8
Inventories	EUR mill.			141.9	162.2
Capital expenditure	EUR mill.	8.2	10.5	29.3	34.7
Depreciation, amortisation and impairment losses***	EUR mill.	38.9	20.6	80.9	215.9
Balance sheet total	EUR mill.			1 827.9	2 061.4

* Continuing operations.

** Includes a write-off of EUR 1.7 million related to remaining receivables from Hobby Hall in Q4 2018.

In 2017, includes write-offs of EUR 7.3 million and a financial income of EUR 2.1 million related to annulled additional taxes .

*** Includes an impairment of Retail's goodwill of EUR 25 million (Q4 2018) and Lindex goodwill of EUR 150 million (Q3 2017)



IFRS 16 LEASES IN THE STOCKMANN GROUP

Adoption of the IFRS 16 standard from 1 January 2019 onwards

- Leases are recognised in the balance sheet as a lease liability and as a right-of-use asset
- Lease payments are depreciated, and interest on the lease liability is recognised as a financial expense
- Comparative figures for 2018 are not restated

Estimated impact of the IFRS 16 standard

- Consolidated balance sheet on 1 January 2019:
 - Lease liabilities approximately EUR 550 million
 - Assets total from EUR 1 828 million to approximately EUR 2 379 million
- Consolidated income statement in the financial year 2019:
 - EBITDA will improve by approximately EUR 100 million
 - EBIT will improve by approximately EUR 12 million
 - Financial expenses will increase by approximately EUR 24 million
 - Net result for the year will decrease by approximately EUR 9 million
- Key figures on 31 December 2018:
 - Equity ratio from reported 46.2% to approximately 35%
 - Net gearing from reported 64.5% to approximately 130%

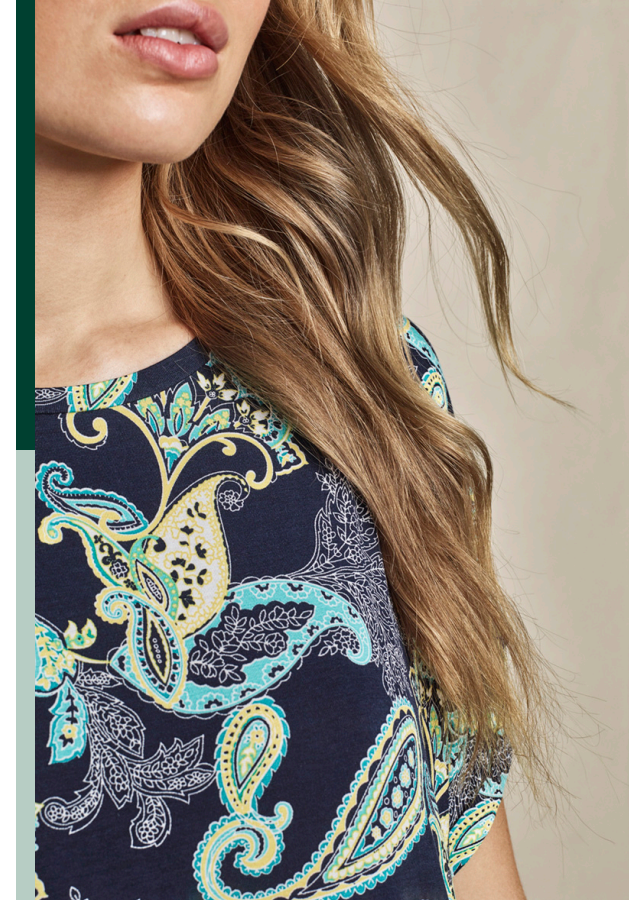


MARKET ENVIRONMENT AND OUTLOOK FOR 2019

- The general economic situation remained strong in **Finland** in 2018, and consumer confidence was at a high level. However, the fashion market in Finland in January-December was -2.6% (2017: -1.7%, source: Fashion and Sport Commerce Association, TMA).
- **In Sweden**, the general economic situation continued its relatively stable development, but the fashion market in January-December was -3.0% (-2.6%, source: Swedish Trade Federation, Stilindex).
- The retail market in the **Baltic countries** continued its growth both in Estonia and Latvia.

Guidance for 2019:

- Stockmann expects the Group's adjusted operating profit, excluding the impact of Nevsky Centre, to improve compared to 2018.



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LINDEX

Susanne Ehnbage
CEO



LINDEX, HIGHLIGHTS IN 2018

- Significantly **increased full-year result and profitability**
 - Increased profitability in all markets and all business areas
 - Improved gross margin
 - Successfully implemented Profitability improvement programme reaching savings target of over EUR 10 million
- **Total sales for 2018** in local currencies increased by 1.4 percent (EUR decreased by 2.7 percent)
 - Continued very strong sales growth online, increased by 46.6 percent in 2018
 - Better sales development than the market in all our main markets – the Nordic countries
- Good progress in **restructuring the store portfolio** – reduced number of unprofitable stores, successful turnarounds and lower costs

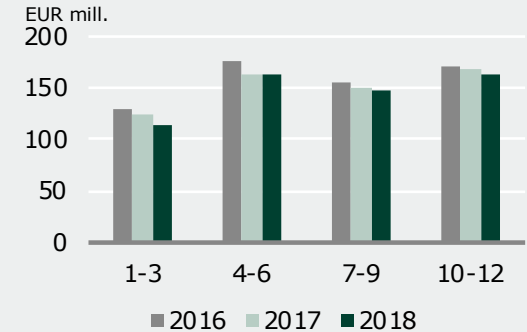




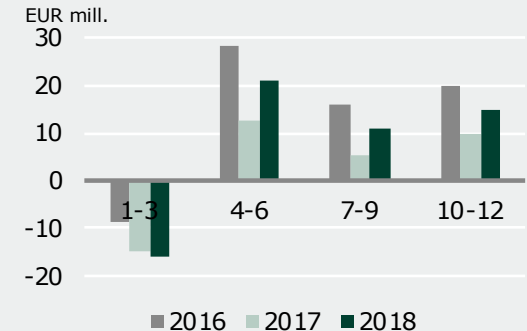
LINDEX, FINANCIAL PERFORMANCE IN Q4 2018

- **Revenue** down by 3.1% to EUR 164.3 million (169.6)
 - Comparable sales on par with previous year
 - Business area women's wear increased the most, +3.9%
 - Online sales increased by 38%
- **Gross margin** 62.1% (61.9)
- **Operating costs** down by EUR 7.4 million
- **Operating profit** EUR 14.8 million (10.0)
 - Increased due to stronger gross profit
 - Lower costs thanks to currency rates and the Profitability improvement programme

QUARTERLY REVENUE



QUARTERLY OPERATING RESULT Adjusted





LINDEX, SALES CHANNELS DEVELOPMENT

- **Store network** on 31 December 2018
 - 474 stores in 18 countries, of which 41 franchising stores
 - 13 stores opened and 29 closed during the year
 - Good progress in store portfolio restructuring
 - Initiated digital working tools
- **Our e-commerce**
 - Strong increase in all countries and business areas
 - Increased assortment and volumes
 - Launch of new traffic channels
- **Online expansion** with Nelly and global fashion platform ASOS – reaching customers worldwide





LINDEX WAY FORWARD

- Clear focus on **continued sales growth** and good cost control
 - Expansion within 2–4 new franchising markets
 - Efficiency actions for increased profitability and competitiveness
 - Continued focus on optimising the store portfolio
- High **focus on e-commerce** and to enhance the digital experience
 - Launch of a new e-commerce platform
 - Develop and expand online assortment
 - Moving into new e-commerce warehouse premises
 - Continue to grow and expand with online partners
- Strong commercial and **inspiring assortment** and campaigns to come
 - New sustainable baby collection and concepts
- Launch of a **new sustainability ambition**



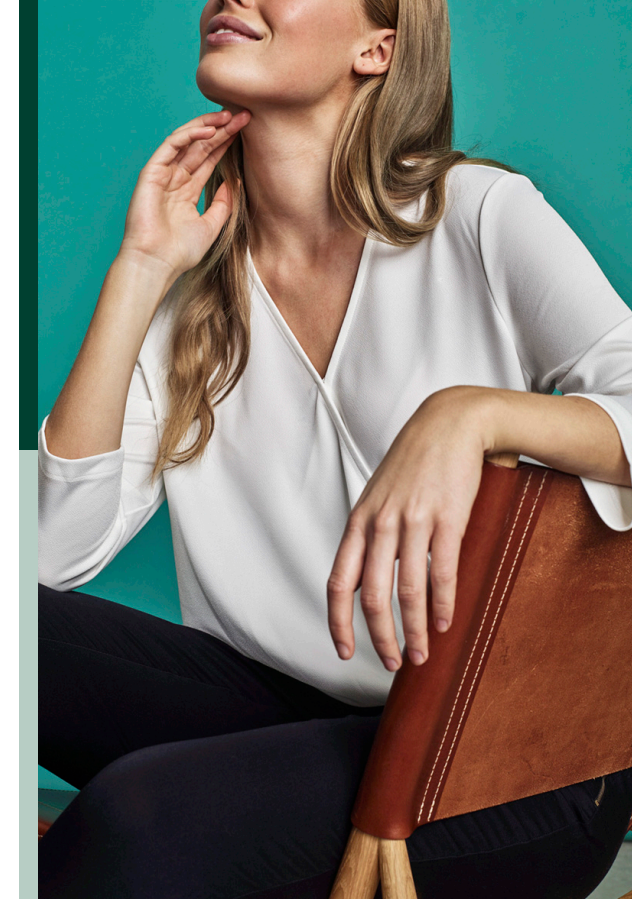
STOCKMANN RETAIL

Maiju Niskanen
Director, Store Operations



STOCKMANN RETAIL, HIGHLIGHTS IN 2018

- **Full-year revenue** strongly up in the online stores, but not enough to compensate the decline in brick & mortar
- **Operating result** down on 2017 – a **new initiative launched** in January 2019 to reduce the cost level, improve the gross margin and accelerate development projects
- **Improved customer NPS**
 - New roles on the sales floor, with a new sales incentive system for the staff
- Several **new brands and services** introduced
 - Novelties in all key product areas - **fashion, beauty and home** – such as Karl Lagerfeld, Jo Malone, Byredo, and Svenskt Tenn pop up
 - National Opera ticket sales point
- Strong **marketing statements** and actions, such as STOCKWOMANN campaign in March
- Actions for **tourists**
 - Alipay mobile payment into use in all stores
 - City of Helsinki's tourist information point opened in Helsinki flagship





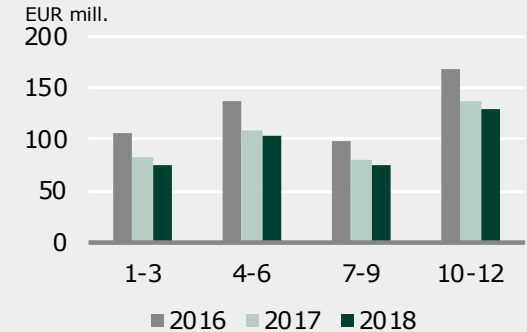
STOCKMANN RETAIL, FINANCIAL PERFORMANCE* IN Q4 2018

- **Revenue** EUR 129.8 million (136.2)
 - Revenue down by 4.7%
 - Growth in the online store 16.9%
 - Crazy Days campaign sales -9% in total in October
- **Gross margin** 43.8% (47.3)
 - Down due to price-driven actions, a timing difference in the sale campaign and a change in the calculation method for inventory obsolescence
- **Operating costs** down by EUR 2.8 million
 - Costs declined due to savings in the support functions
- **Operating result** EUR 3.3 million (7.5)

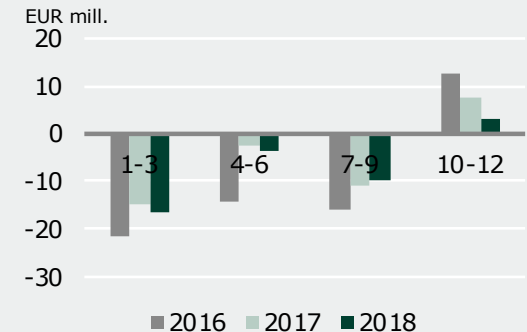
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QUARTERLY REVENUE



QUARTERLY OPERATING RESULT Adjusted



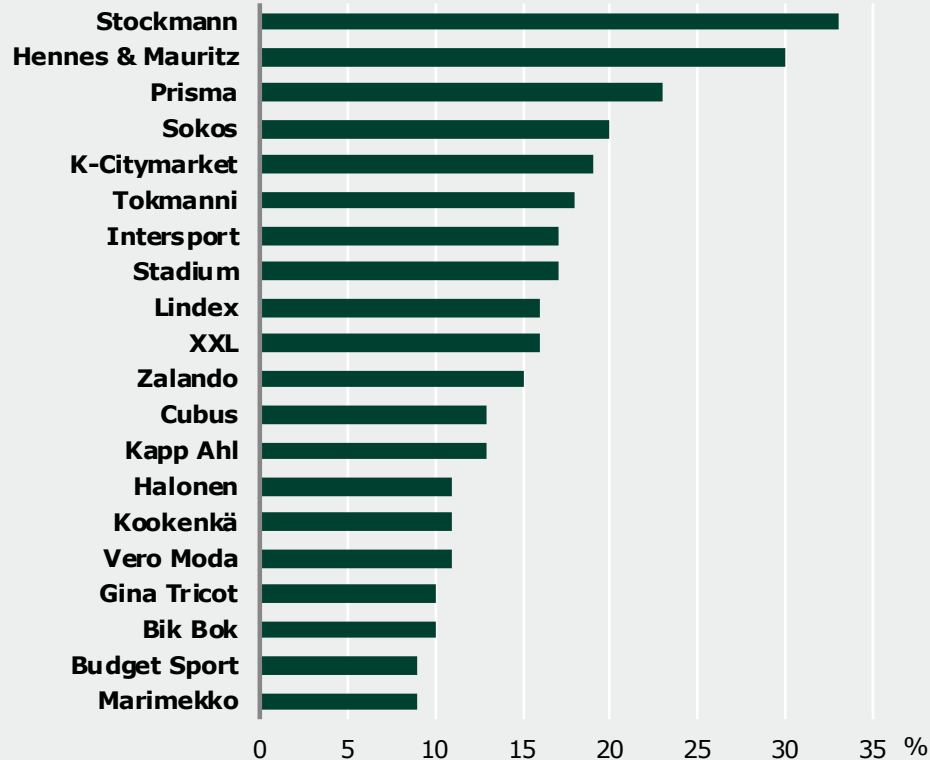


STOCKMANN, FASHION STORE NO 1 IN THE HELSINKI REGION

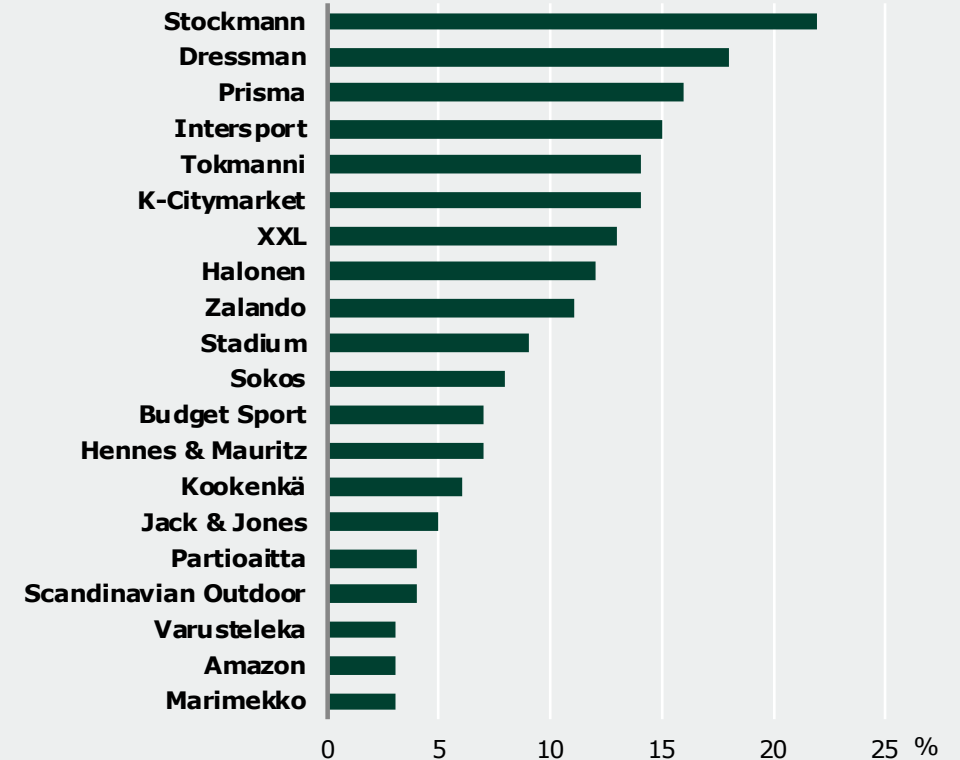
Most popular stores for buying fashion in the Helsinki capital area in April 2017 – March 2018

Source: Finnish Commerce Federation

WOMEN



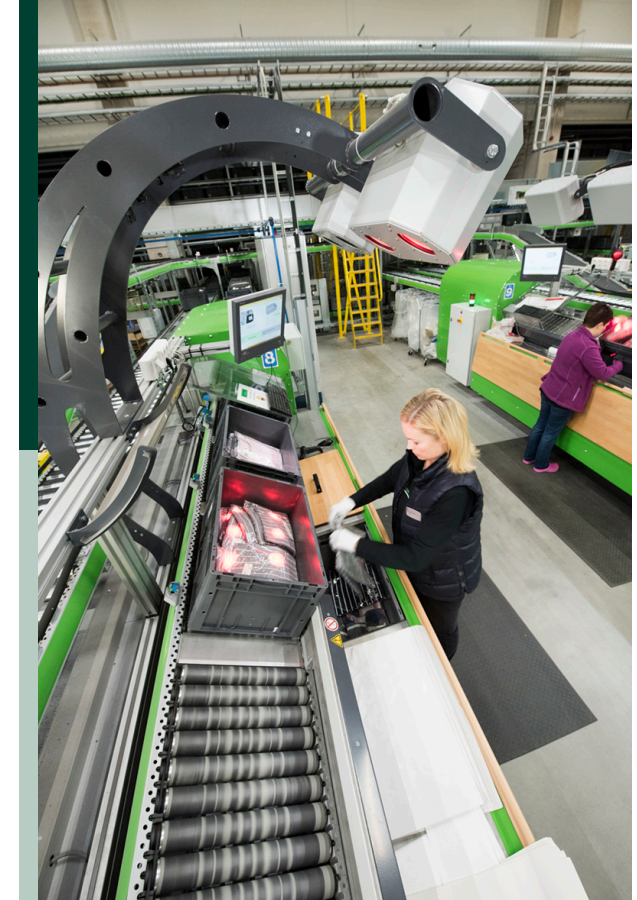
MEN





STRONG DIGITAL ACCELERATION IN 2018 AND WAY FORWARD

- **Online growth** for the year +14.8%
- **Digital acceleration** proceeds as planned
 - Product selection extended from 30 000 SKUs in 2017 to 110 000 in 2018
 - Almost the whole Helsinki flagship selection available online
- **Click & Collect point** opened in the Helsinki flagship
 - Open every day until 24
- **B2C Marketplace** will be launched in the spring 2019
 - Brings a wider range of brands and merchandise areas to stockmann.com
 - Pilot with toys started in September 2018
- **Crazy Days online store** to the Baltics in the autumn 2019



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REAL ESTATE

Elena Stenholm
Director, Real Estate



REAL ESTATE, HIGHLIGHTS IN 2018

- Increased full-year **revenue, net operating income** from own properties, and **adjusted operating profit**
- **Book House property** in Helsinki sold in May 2018
 - Sales price EUR 108.6 million
 - Book value EUR 100.0 million on 1 January 2018
- **Nevsky Centre property** in St. Petersburg sold in January 2019
 - Agreement signed in October 2018
 - Sales price EUR 171.0 million
 - Book value EUR 181.0 million on 1 January 2018
- Several new **restaurants and cafés** opened in the department stores in Finland during the year
 - Fishmarket, Biang, Comptoir Farouge, Hanko Sushi, Pupu, Powau and Espresso House

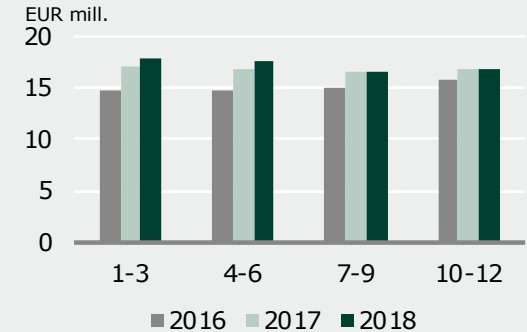




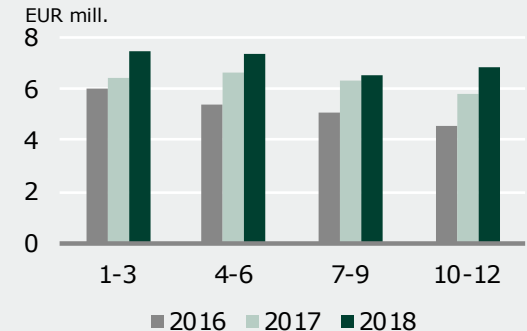
REAL ESTATE, FINANCIAL PERFORMANCE IN Q4 2018

- **Revenue** EUR 16.9 million (16.8)
- **Net operating income** from own properties EUR 12.1 million (12.2)
 - Average monthly rent EUR 38.82 per sqm (37.05)
 - Net rental yield in 2018 was 5.6% (5.4)
- **Occupancy rate** of own properties 99.4% (99.9)
- **Adjusted operating profit** EUR 6.8 million (5.8)
 - Reported operating profit EUR 5.6 million (9.8)

QUARTERLY REVENUE



QUARTERLY OPERATING RESULT Adjusted





REAL ESTATE, STOCKMANN-OWNED PROPERTIES IN Q4 2018

- **Fair value** of the department store properties: EUR 681.0 million (1 January 2018: EUR 691.5 million)
 - The decrease due to the increased market yield requirement in Finland
- **Gross leasable area** (GLA) 88 000 sqm, of which Stockmann Retail was using 73%
- **Occupancy rate** 99.4%



Helsinki department store

Occupancy rate 99.8%
GLA 51 000 sqm
Usage by Retail 66%



Tallinn department store

Occupancy rate 98.0%
GLA 22 000 sqm
Usage by Retail 82%



Riga department store

Occupancy rate 100.0%
GLA 15 000 sqm
Usage by Retail 86%

An agreement to divest the Nevsky Centre property in St Petersburg was signed in October 2018. The transaction was closed in January 2019.

Q&A

Further information

stockmanngroup.com

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