



STOCKMANN

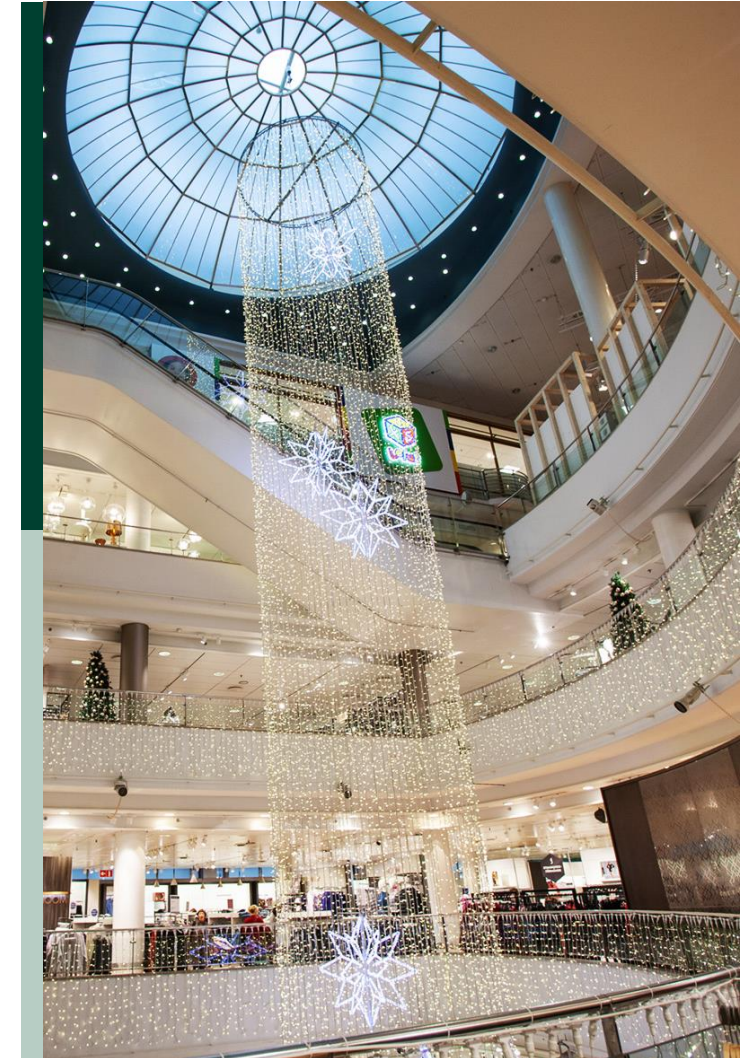
INTERIM REPORT Q1 2019

Lauri Ratia, Executive Chairman
Stockmann Group | 30 April 2019



STOCKMANN REJUVENATION

- Stockmann Group's largest division, **Lindex**, is estimated to continue its steady performance
- Strategy reworked for **Stockmann Retail** and **Real Estate** during March-April 2019
- Starting a **two-year process**, of which Stockmann's customers will see the outcome gradually
- Changing fashion, beauty and home selections to be more **premium and high-quality**, and securing excellent **customer service**
- **Digital acceleration** remains in high focus
- Creating inspiring store experiences, particularly in **Helsinki flagship**
- Strategic actions aim at returning Stockmann Retail to a **growth trajectory by 2021**





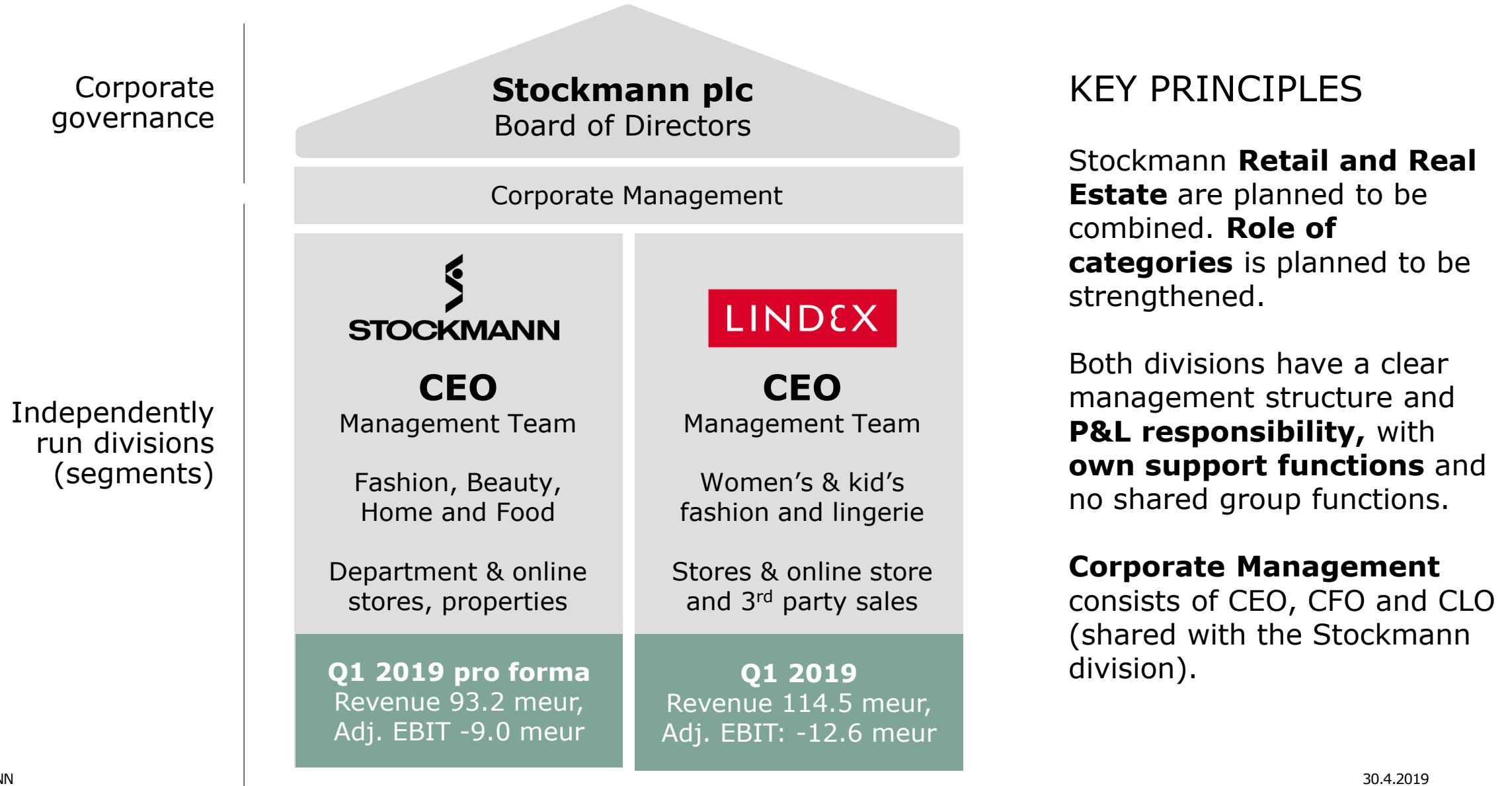
NEW SUSTAINABLE BUSINESS MODEL

- Substantial change to be made in Stockmann's **business model** with a new simplified organisational structure
- Aiming to **reduce costs** by at least EUR 40 million by spring 2021, of which a major part will be visible already in the 2020 result
- More than 2/3 of cost savings estimated to come from non-personnel costs and less than 1/3 from personnel costs
- Personnel **codetermination negotiations** to start in Finland, affecting approximately 1 600 persons.
- A maximum of 160 positions may be reduced. **Sales staff** in department stores will **not be reduced** in the negotiations





STOCKMANN GROUP, PLANNED NEW STRUCTURE





Q1 2019 IN BRIEF

Group's gross margin

53.2%

(55.1)

Group's adjusted operating result, EUR mill.

-20.6

(-24.8, or -29.3 excluding Nevsky Centre)

- **Stockmann Group**
 - Adjusted operating result improved
 - Interest-bearing net debt nearly halved, from EUR 801.8 million to EUR 457.1 million
- **Lindex**
 - Comparable sales up by 2.8%, growth in the online store 41%
 - Improved gross margin and operating result
- **Stockmann Retail**
 - Revenue up by 15.4% due to timing of the Crazy Days campaign in Finland
 - Gross margin down, but operating result up
- **Real Estate**
 - Divestment of Nevsky Centre closed in January 2019
 - Revenue and operating result declined due to the property divestments

STOCKMANN GROUP

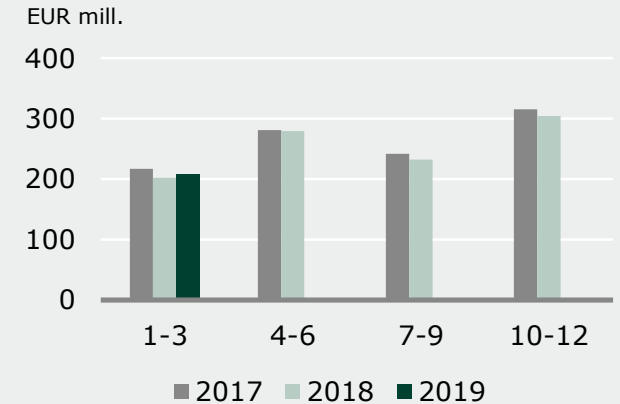
Kai Laitinen
CFO



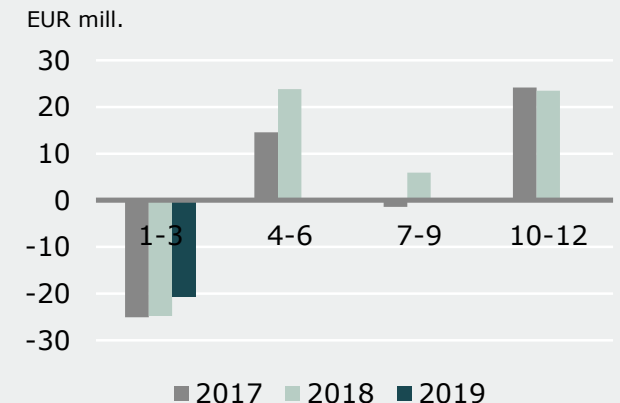
STOCKMANN GROUP, FINANCIAL PERFORMANCE IN Q1 2019

- **Revenue** EUR 207.2 million (202.4)
 - Up by 4.2% in comparable currency rates
- **Gross margin** 53.2% (55.1)
 - Up in Lindex but down in Stockmann Retail
- **Operating costs** down by EUR 26.6 million
 - Decrease mainly due to IFRS 16
- **Adjusted EBITDA** EUR 14.8 million (-10.6)
- **Depreciation** EUR 35.4 million (14.2)
 - Increase due to IFRS 16
- **Adjusted operating result** EUR -20.6 million (-24.8 or -29.3 excluding Nevsky Centre)
 - IFRS 16 items EUR 3.8 million
- **Reported operating result** EUR -21.4 million (-26.9)
- **Result for the quarter** EUR -32.4 million (-30.9)

QUARTERLY REVENUE

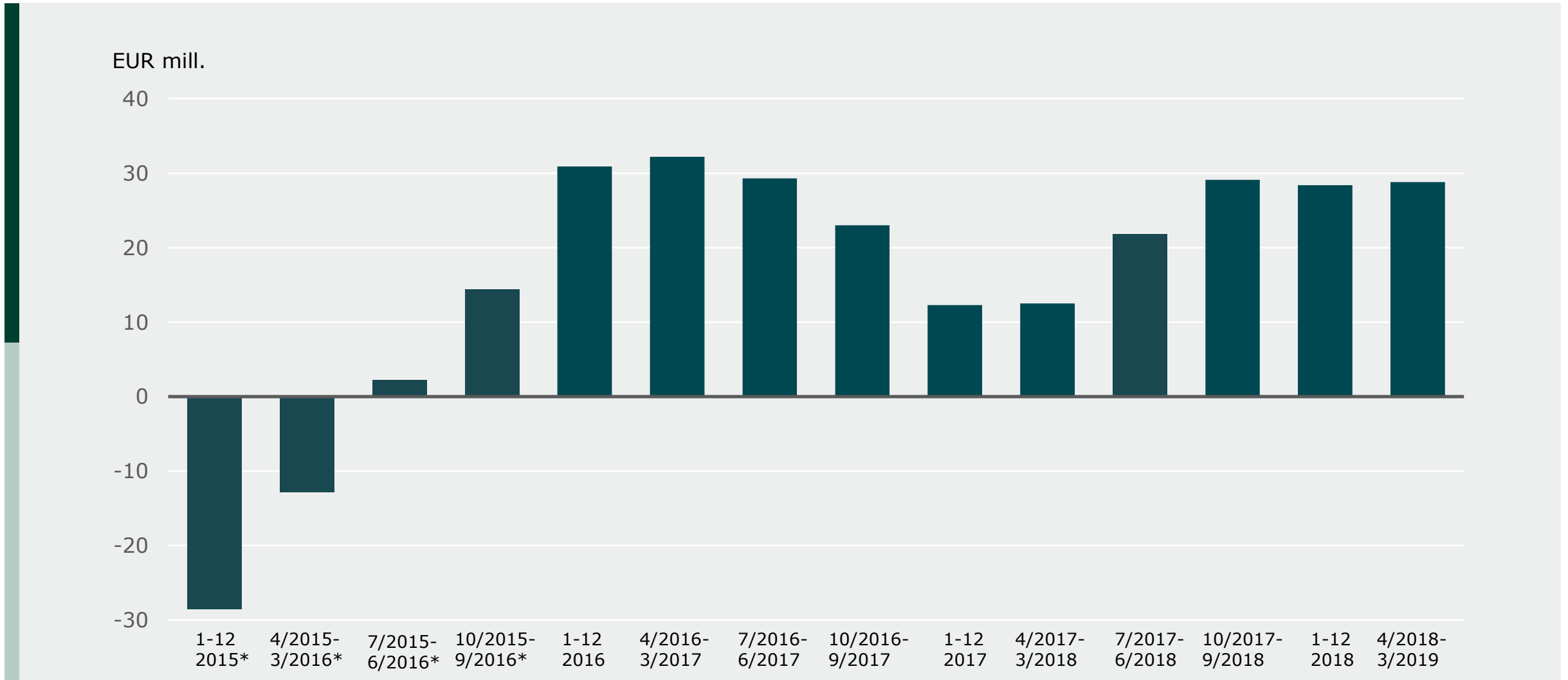


QUARTERLY OPERATING RESULT Adjusted





GROUP'S ROLLING 12-MONTH ADJUSTED OPERATING PROFIT





IMPACT OF IFRS 16

EUR million	Reported Q1/2019	IFRS 16 items Q1/2019	Excluding IFRS 16 items Q1/2019	Reported Q1/2018
Revenue	207.2	-0.5	207.8	202.4
EBITDA	14.0	25.5	-11.5	-12.6
Adjusted EBITDA	14.8	25.5	-10.7	-10.6
Depreciation	35.4	21.7	13.7	-14.2
Operating result (EBIT)	-21.4	3.8	-25.2	-26.9
Adjusted operating result (EBIT)	-20.6	3.8	-24.4	-24.8
Net financial expenses	13.8	6.7	7.1	8.7
Net result	-32.4	-2.2	-30.1	-30.9
Assets	2 186.6	532.1	1 654.5	2 044.0
Interest-bearing net debt	990.4	533.3	457.1	801.8
Cash flow from operating activities	-20.1	18.8	-38.9	-58.8



KEY FIGURES

		Q1/2019	Q1/2018	1-12/2018
Equity ratio	%	36.7	41.6	46.2
Net gearing	%	123.7	94.4	64.4
Net financial items*	EUR mill.	-13.8	-8.7	-34.6
Result for the period*	EUR mill.	-32.4	-30.9	-43.7
Earnings per share*	EUR	-0.47	-0.45	-0.68
Cash flow from operating activities	EUR mill.	-20.1	-58.8	82.9
Inventories	EUR mill.	164.8	182.6	141.9
Capital expenditure	EUR mill.	6.5	7.8	29.3
Depreciation, amortisation and impairment losses	EUR mill.	35.4	14.2	80.9
Balance sheet total	EUR mill.	2 186.6	2 044.0	1 827.9

* Continuing operations.



MARKET ENVIRONMENT AND OUTLOOK FOR 2019

- Retail growth is estimated to decline somewhat in Finland due to economic slowdown in Finland
 - Fashion market in Finland in January–March was +2.7% (Q1 2018: -2.3%, source: Fashion and Sport Commerce Association, TMA)
- Retail growth is expected to continue in Sweden
 - Fashion market in January–March was -0.2% (Q1 2018: -5.7%, source: Swedish Trade Federation, Stilindex)
- In the Baltic countries, the outlook for the retail trade is expected to be better than that for the Stockmann Group's other main market areas
- **Guidance for 2019 (updated 24 April 2019):**
Stockmann expects the Group's adjusted operating profit, excluding Nevsky Centre but including the impact of IFRS 16, to be on a par with 2018



The background features abstract grey shapes on a white field. A large, curved grey shape starts from the top left and sweeps across the upper right. Another grey shape is in the bottom left corner. The text is positioned in the white space between these shapes.

LINDEX

Susanne Ehnbage
CEO



LINDEX, PERFORMANCE IN Q1 2019

FINANCIALS

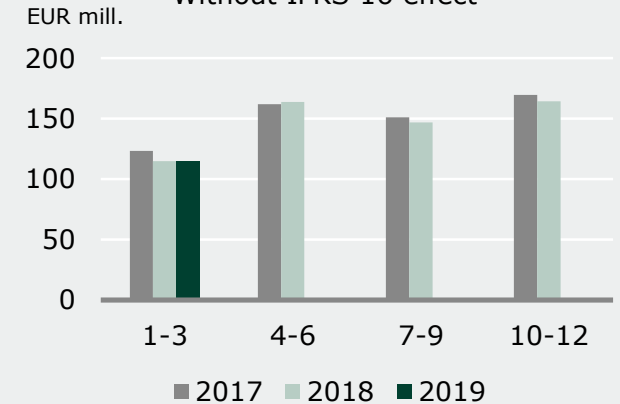
- **Revenue** down by 0.3% to EUR 114.5 million (114.8)
 - Total sales in comparable currencies increased by 4.2%
 - Comparable sales increased by 2.8%
 - Online sales increased by 41%
- **Increased gross margin** 59.2% (57.7)
- **Operating costs** down by EUR 1.8 million
- **Operating result** EUR -12.6 million (-16.2, or adjusted -15.9)

HIGHLIGHTS

- Successful start for new **sustainable baby assortment**
- **Brand building** spring campaign
 - New long-term concept 'Your Smart Wardrobe'
- **Store network** on March 31 2019
 - 467 stores in 17 countries, of which 40 franchising stores

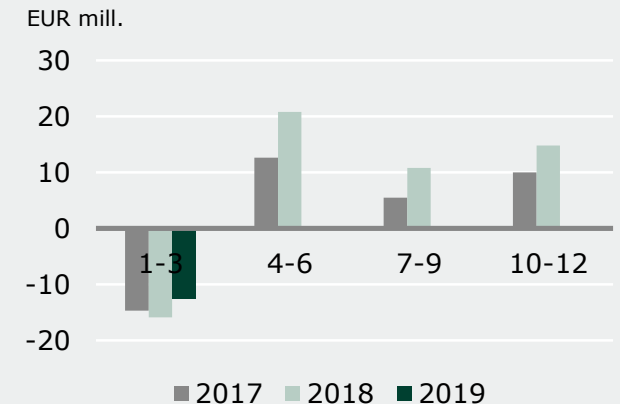
QUARTERLY REVENUE

Without IFRS 16 effect



QUARTERLY OPERATING RESULT

Adjusted, without IFRS 16 effect





LINDEX WAY FORWARD

- Continued sales growth and **profitability improvement** in focus
- High focus on **e-commerce** and **digital development**
 - Release of new e-commerce platform
 - Launch new online partnerships
 - Moving into new e-commerce warehouse premises
- Inspiring summer collection in **design collaboration with By Malina**
- Expansion to **new franchising markets**
- Launch of a new **sustainability promise** – making a difference for future generations
- **New Management Group** appointments
 - Caroline Öhgren, Director of Sales
 - Annika Elfström, CIO
 - Johan Engen, Director of Logistics



STOCKMANN RETAIL

Tove Westermarck
Chief Operating Officer



STOCKMANN RETAIL, PERFORMANCE IN Q1 2019

FINANCIALS

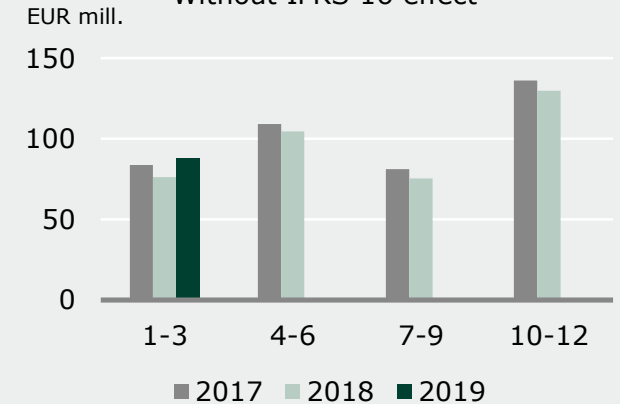
- **Revenue** EUR 88.0 million (76.3)
 - Revenue up by 15.4%
 - Growth in the online store 119% due to the Crazy Days campaign
 - Total Crazy Days campaign sales (March-April) down by 6% , despite online growth of 12%
- **Gross margin** 43.0% (44.7)
 - Down mainly due to the effect of the Crazy Days campaign
- **Operating costs** up by EUR 0.4 million
 - Personnel and support function costs declined but rents were up
- **Operating result** EUR -11.5 million (-17.2)

HIGHLIGHTS

- Digital acceleration proceeds well
 - Continuous **widening of online** assortment: 40 new brands during the spring
- New **sustainable brands** introduced: EcoAlf, Freedom Moses, Kaiko

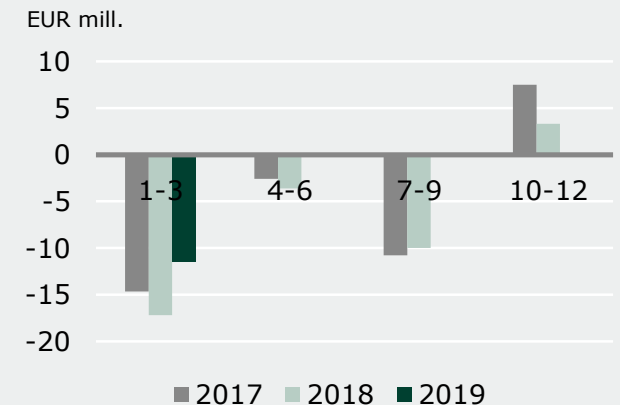
QUARTERLY REVENUE

Without IFRS 16 effect



QUARTERLY OPERATING RESULT

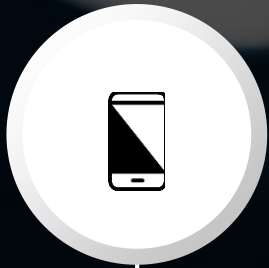
Adjusted, without IFRS 16 effect





DEMAND IS SHIFTING

Channels



Online growth

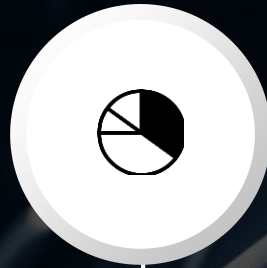
Finnish ecommerce penetration in apparel 11% in 2018, forecasted to increase to 24% by 2023



Direct consumer contact

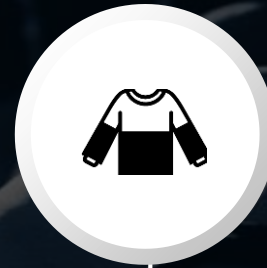
Brands seek to establish direct consumer contact

Products



Trading up or down

Consumers increasingly either trade down for value or trade up for quality



Casualization

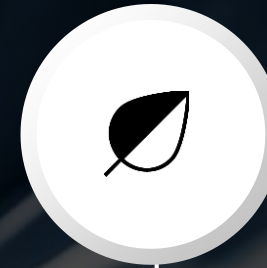
Trend towards more casual dress code

Consumer expectations



Demand for newness

Increased demand for fresh assortment, e.g. some fashion chains with 24 releases per year



Demand for sustainability

Consumer demand for sustainable and ethical fashion



Demand for personalization

Consumer expects personalized engagement; patience for mass approach is decreasing



STOCKMANN RETAIL'S WAY FORWARD

Targeting a Fashion & Style authority position

- Clear focus on a core target customer, modern working professional
- Reset Fashion, Home and Beauty offering
 - Strengthen the **premium selection** – our promise: **inspiring quality**
 - Create **newness** with relevant, sustainable and unique brands
 - Target is to create a category-driven business and organisation
- Accelerate digital shopping channel
 - Continue widening online assortment
 - Launch the Stockmann **Marketplace** during Q2
 - Build new partnerships to accelerate digital and omnichannel sales
- Create inspiring store experiences
 - Focus on high-quality **customer service**
 - Invest in **Helsinki flagship** and give space to new traffic-driving purposes
 - Review **locations and space** in each department store – there is market potential in every current department store city for a premium concept
 - Plan is to combine Stockmann Retail and Real Estate, enabling more coherent customer experience



REAL ESTATE

Elena Stenholm
Director, Real Estate



REAL ESTATE, FINANCIAL PERFORMANCE IN Q1 2019

FINANCIALS

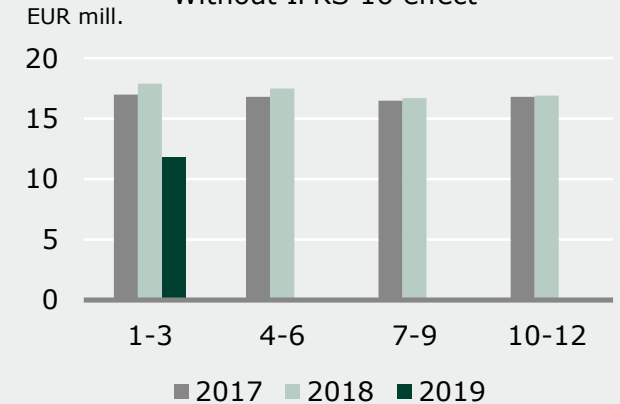
- **Revenue** EUR 11.8 million (17.9)
 - Down due to the divestment of the Book House property in Helsinki and the Nevsky Centre property in St Petersburg
- **Net operating income** from own properties EUR 8.5 million (13.2)
 - Average monthly rent EUR 37.74 per sqm (38.60)
- **Occupancy rate** of own properties 98.9% (99.4)
- **Adjusted operating profit** EUR 2.4 million (7.5, or 3.0 excluding Nevsky Centre)
 - Reported operating profit EUR 1.6 million (7.5), includes an adjustment of EUR -0.8 million related to the sale of Nevsky Centre

HIGHLIGHTS

- **Nevsky Centre** in St Petersburg sold in January
- Revamped **Food Market Herkku** opened in Stockmann Tapiola and Itis department stores

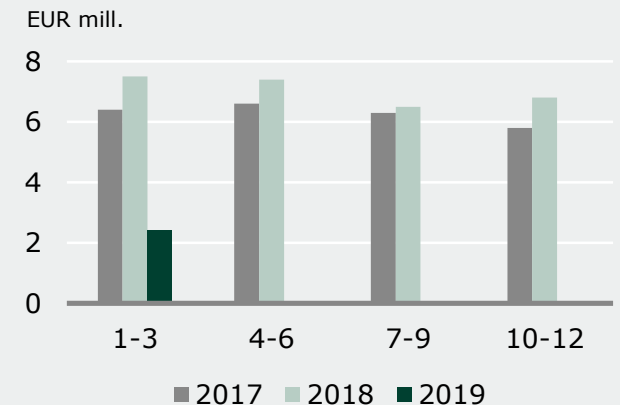
QUARTERLY REVENUE

Without IFRS 16 effect



QUARTERLY OPERATING RESULT

Adjusted, without IFRS 16 effect





REAL ESTATE, STOCKMANN-OWNED PROPERTIES IN Q1 2019

- **Fair value** of the department store properties: EUR 681.0 million (1 January 2019)
- **Gross leasable area** (GLA) 88 000 sqm, of which Stockmann Retail is using 73%
- **Occupancy rate** 98.9%
- **Target** is to give more space to traffic-driving purposes, e.g. increase food & beverage offering further



Helsinki flagship property

Occupancy rate 98.9%
GLA 51 000 sqm
Usage by Retail 66%



Tallinn department store property

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



Riga department store property

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

Q&A

Further information
stockmanngroup.com
investor.relations@stockmann.com