



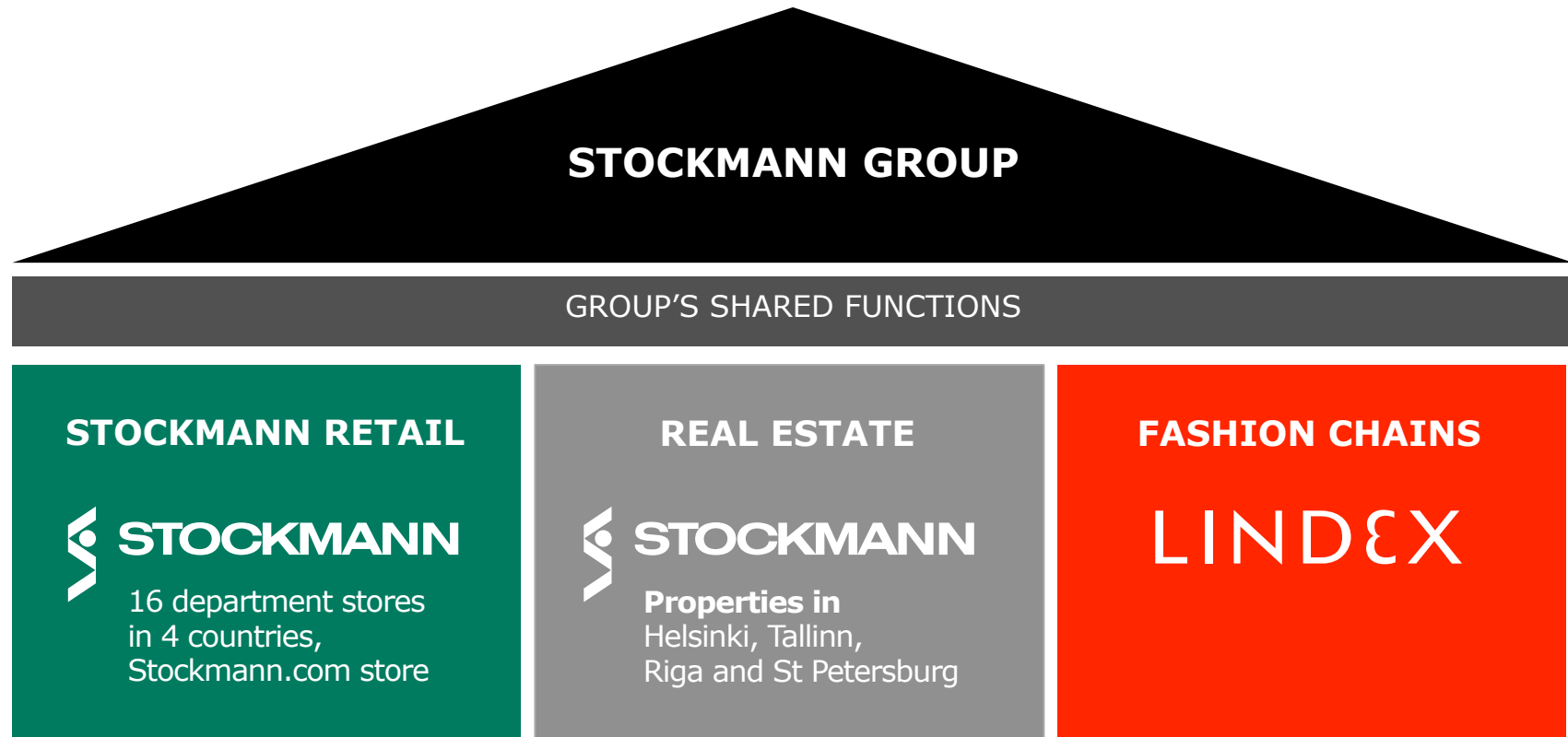
STOCKMANN

Interim Report Q2 2015

12 August 2015



New operating structure as of 1 January 2015: Stockmann Retail, Real Estate, Fashion Chains



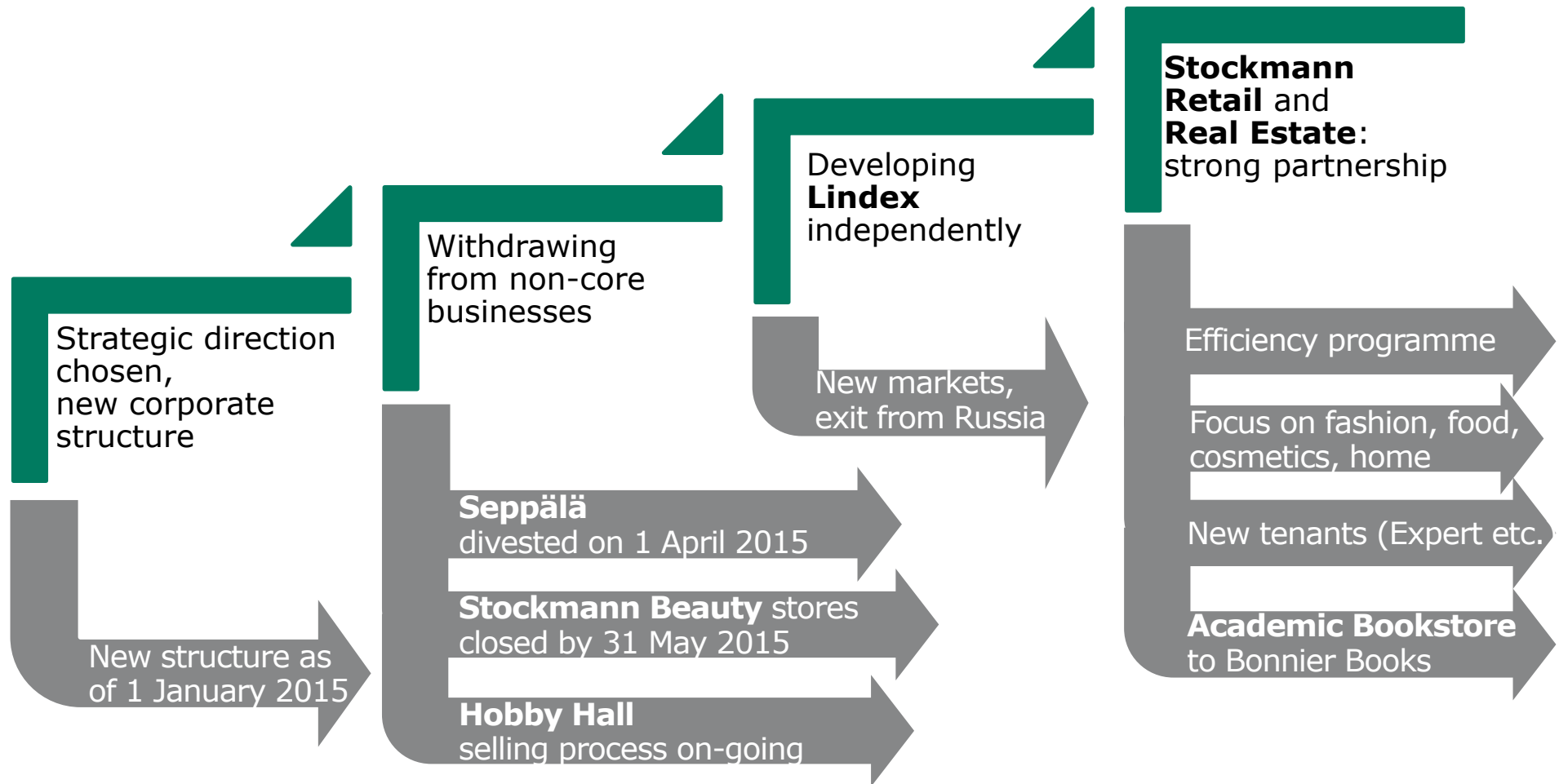
Includes Hobby Hall and Academic Bookstore

Included Seppälä until 1 April 2015

STOCKMANN



Stockmann Group's strategic path: Focusing on the key businesses



STOCKMANN



Enhanced customer focus, rationalised scope of operations

Efficiency programme

- Annual cost savings of EUR 50 million targeted by end of 2016
- Releasing store space from Stockmann Retail and bringing in new tenants
- Store closures (3 stores in Megas in Moscow in 2016 and Oulu in early 2017)
- Simplified processes and streamlined support functions: 100 jobs reduced in Finland in June, 70 in Russia in 2015 (in total up to 420 in 2015-2016)
- Less product categories (books, electronics) and less suppliers

Improving performance

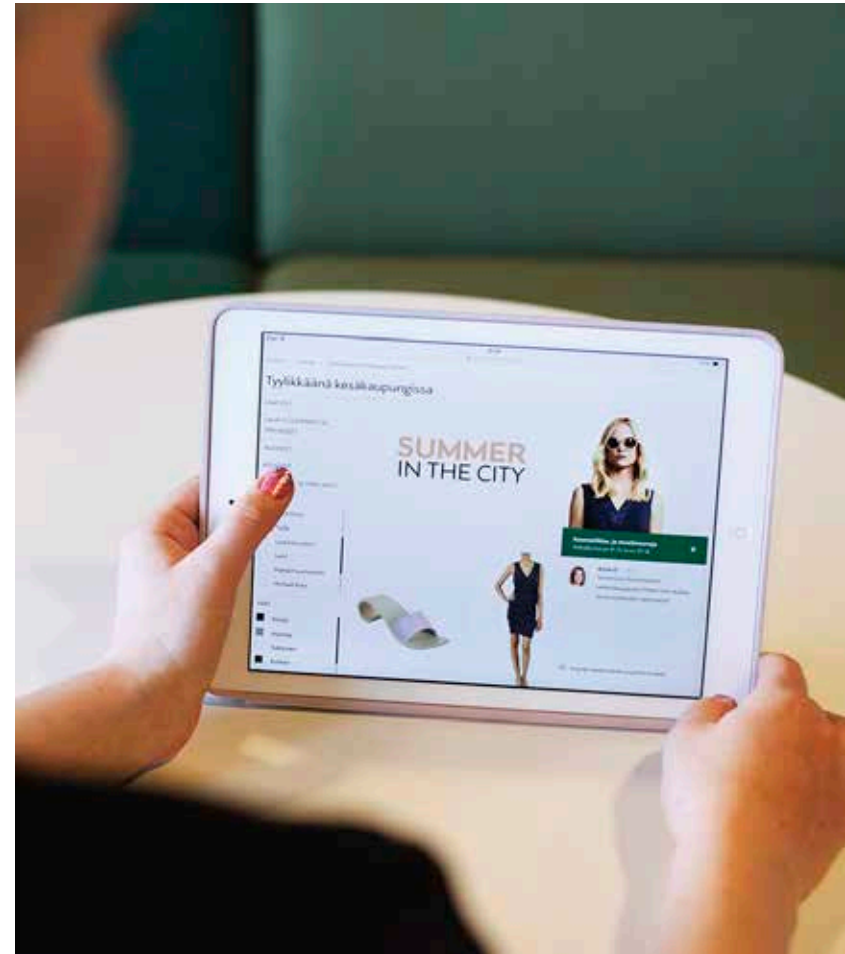
- Enhanced shopping experience
- Focus on fashion, food, cosmetics and home
- New co-operation models with suppliers
- New structures and ways of working for support functions
- More speed and agility to respond to customer needs
- Store at the core

STOCKMANN



Stockmann's Q2 2015 in brief

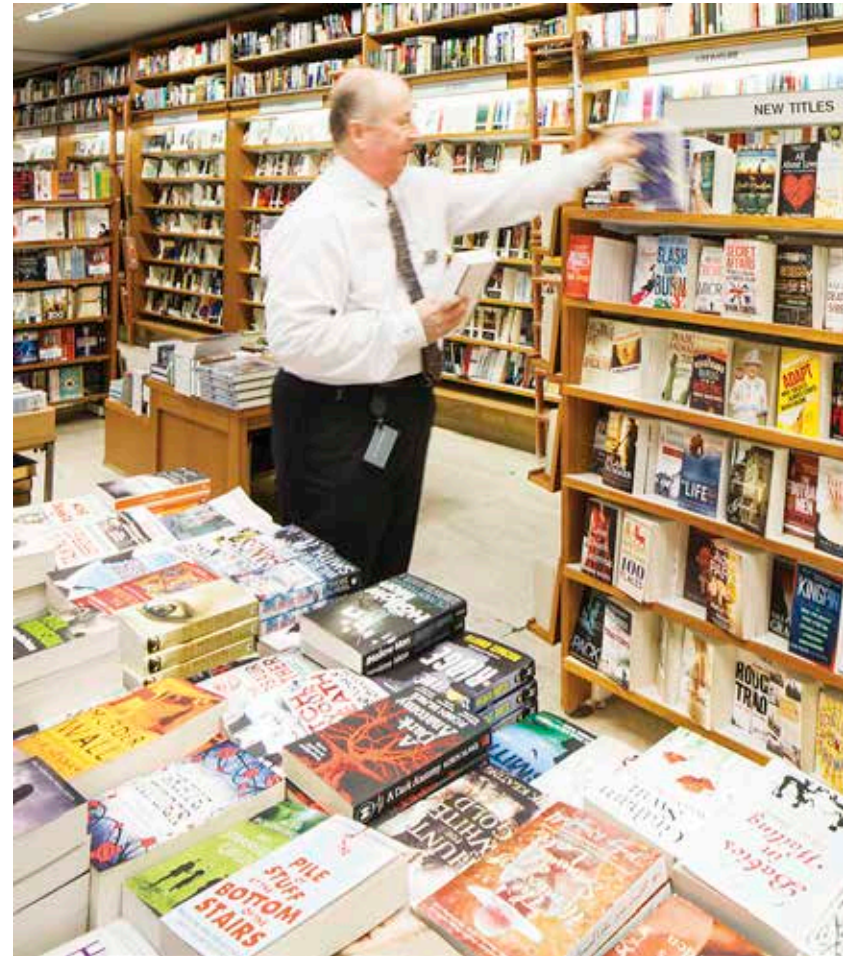
- New strategy well under way
- Revenue improved towards the end of the quarter
- Group's operating profit excluding non-recurring items up
- Gross margin improved with growth in Stockmann Retail
- Operating costs declined due to Seppälä's divestment and cost savings measures in all divisions
- Lindex continued stable performance
- New tenant agreements signed, which improves product and service offering





Academic Bookstore business to be sold to the Swedish media company Bonnier Books

- A letter of intent regarding the sale signed; transaction estimated to take place by 1 October
- Transaction includes 6 bookstores (Helsinki, Tapiola, Turku, Tampere, Itis and Jumbo), online store, direct support functions, related personnel and inventories
- Books will remain in the department stores' offering
- Bonnier Books will continue the Academic Bookstore business both in Stockmann's own and leased premises



STOCKMANN



World famous toy shop Hamleys to open in the Helsinki flagship department store

- Letter of intent signed in July
- The first shop in Finland to be opened in November 2015
 - 6th floor in the Helsinki flagship department store
- Cooperation planned in other department stores in Finland from 2016 onwards
- Hamleys shop in Nevsky Centre in St Petersburg since summer 2014
- Stockmann is planning to withdraw from its own toys sales



The Finest Toys in the World





Sales in July 2015: Group-level growth for the first time since May 2013

Preliminary sales development, exclusive VAT	Change, %
Stockmann Retail	
Department stores, excluding electronics, EUR	+2.1
Retail, total, EUR	-3.0
Retail, total, comparable currencies	+3.8
Lindex, total, EUR	+6.0
Lindex, total, comparable currencies	+ 9.7
Stockmann Group, excluding Seppälä, EUR	+1.1
Stockmann Group, excluding Seppälä, comparable currencies	+5.5



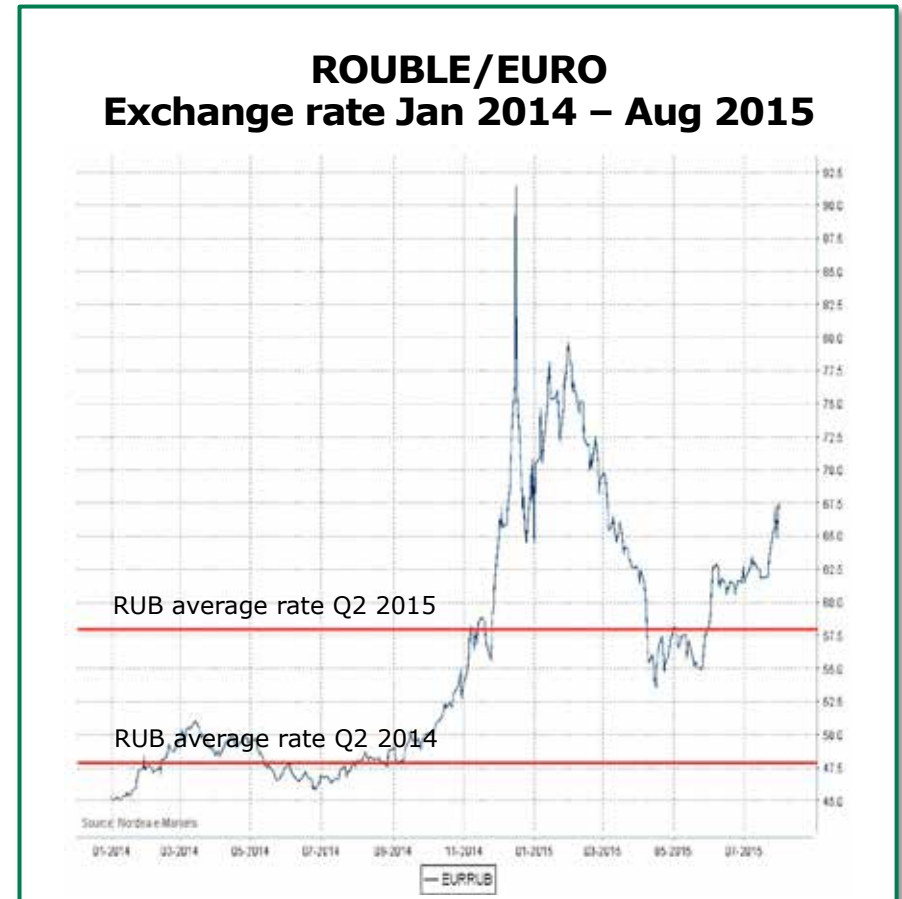
Stockmann Group





Retail market in brief

- **Finland**
 - Retail market remained weak
 - Fashion market down 9.4% (TMA) during January-June
- **Baltic countries**
 - Market environment remained relatively stable
 - Increased competition in Estonia and Latvia
- **Sweden**
 - Fashion market picked up in June
 - Year-to-date development on a par with previous year (Stilindex)
- **Russia**
 - Market continued to be insecure
 - Ruble's average rate in Q2 was 22% weaker against euro

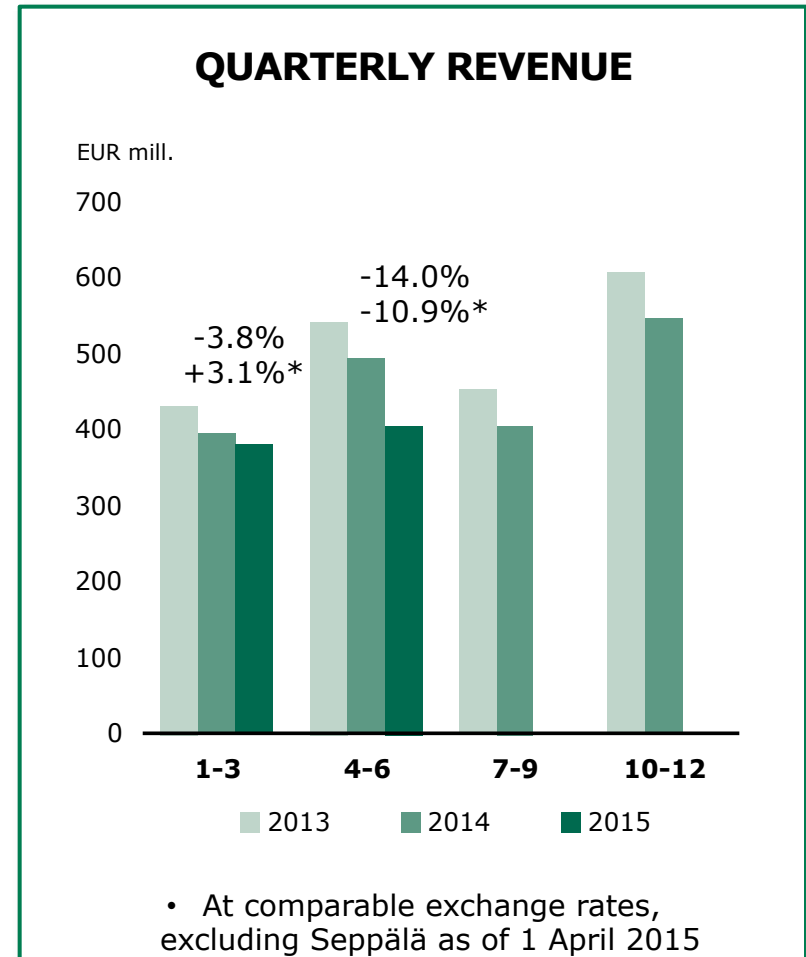




Revenue* in Q2 2015

- Revenue down 14.0%, to EUR 405.8 million (EUR 471.4 million)
 - Revenue down 10.9% at comparable exchange rates
 - Russian rouble continuously weak
- Revenue in Finland down 22.6%
 - Timing of Crazy Days
 - Withdrawal from own electronics sales
- Revenue in international operations down 6.9%
 - Revenue at comparable exchange rates on a par with previous year

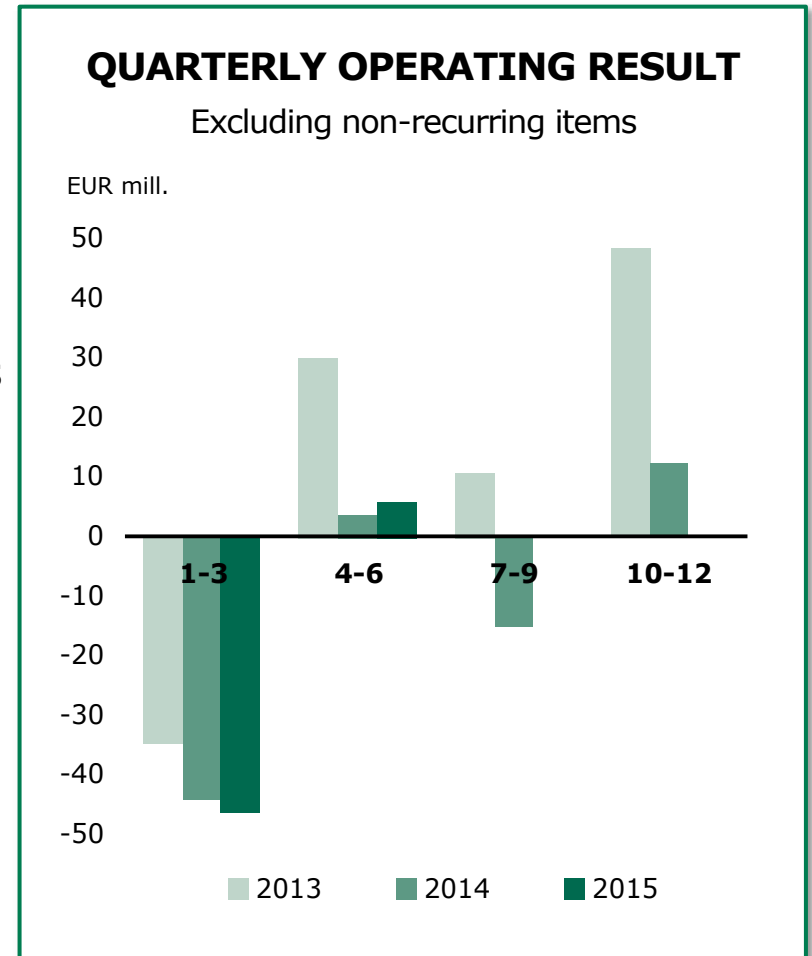
* Excluding Seppälä which was divested on 1 April 2015





Operating result in Q2 2015

- Gross margin 51.2% (48.1%)
 - Growth in Stockmann Retail
- Operating costs EUR 190.9 million (EUR 216.7 million) incl. NRI
 - Down 7.4% excluding non-recurring items, due to decreased personnel costs and other cost savings measures
- Non-recurring costs EUR 9.8 million
 - Seppälä closings EUR 5.5 million
 - Oulu and Mega department store closings EUR 4.3 million
- Depreciation EUR 20.9 million (EUR 18.2 million)
- Operating result excl. non-recurring items EUR 5.7 million (EUR 3.5 mill.)
 - Reported operating result EUR -4.1 mill.





Key figures

As of 1 January 2015, real estate properties have been measured at fair values, which impacts several key figures. The revaluation is not applied retrospectively for 2014.

		1-6/2015	1-6/2014	1-12/2014
Equity ratio	%	44.6	41.1	39.3
Gearing	%	85.3	104.3	105.4
Net financial costs	EUR mill.	10.1	12.7	21.4
Earnings per share	EUR	-0.94	-0.67	-1.39
Cash flow from operating activities	EUR mill.	-48.0	-35.5	29.6
Inventories	EUR mill.	216.4	266.6	239.3
Capital expenditure	EUR mill.	26.2	27.3	53.8
Depreciation	EUR mill.	41.3	36.4	71.0
Property, plant and equipment	EUR mill.	1 012.3	600.3	590.5
Balance sheet total	EUR mill.	2 333.9	1 982.8	1 936.5



Outlook for 2015 remains unchanged

- Outlook for retail market in **Russia** remains very uncertain: all-time-low rouble, weak economy and purchasing power, which will also decrease the number of Russian shoppers in Finland and in the Baltic countries
 - No growth is expected in the retail market in **Finland** in 2015, demand for non-food goods remains uncertain
 - Affordable fashion market in **Sweden** and retail market in the **Baltic countries** expected to remain relatively stable
 - Efficiency programme launched with annual savings target of EUR 50 million; effects visible mostly beginning in 2016
 - **Capital expenditure** expected to amount to approximately EUR 70 million
 - **Depreciation** is expected to total over EUR 80 million
- Stockmann Group's **revenue** is expected to be down on 2014 due to planned structural changes. The **operating result** excluding non-recurring items is expected to improve from 2014 but to remain negative due to the performance of the Stockmann Retail division. The operating results for the Real Estate and Fashion Chains divisions are expected to be positive.



Stockmann Retail



Stockmann Retail in Q2 2015

- Strategic actions to improve customer service, product selection and customer loyalty are continuing
 - More events and inspiration
 - New brands and pop-up stores
 - Digital dressing room helpers
 - New concepts in Delicatessen
- All stores improved their revenue towards the end of Q2
 - Tampere the best performing store
 - Increased market share in fashion in Finland in May and June
- Gross margin up, as a result of the strategic actions and fewer price-driven campaigns

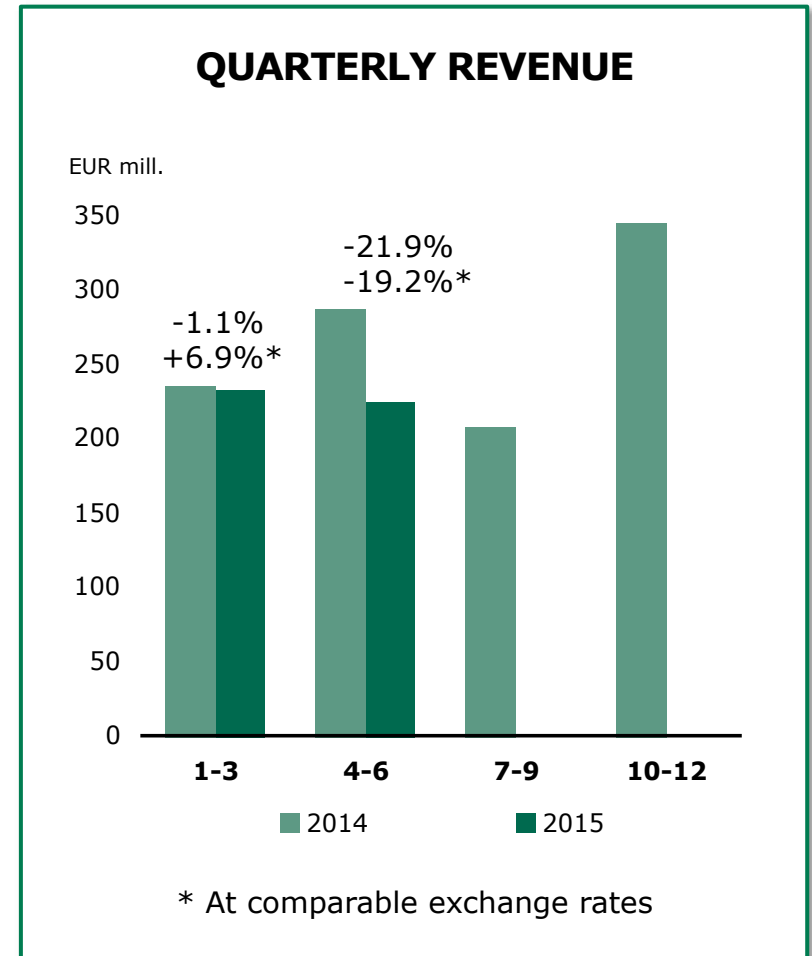


STOCKMANN



Revenue in Q2 2015

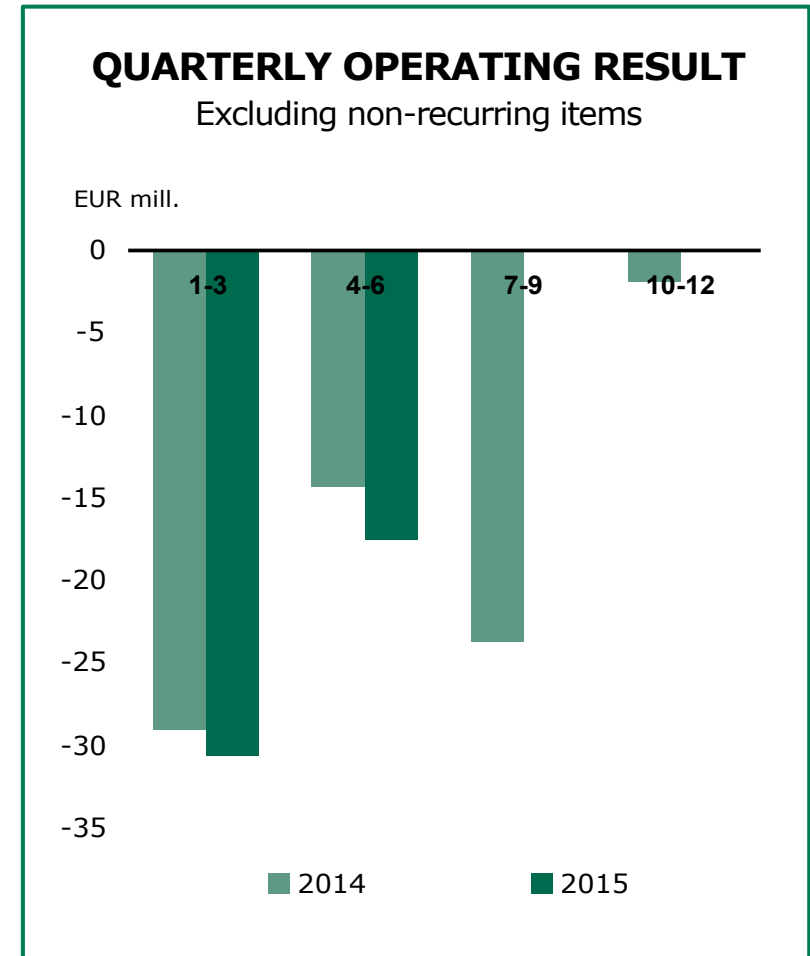
- Revenue down 21.9%, to EUR 224.0 million (EUR 287.0 million)
 - Revenue at comparable exchange rates down 19.2%
- Revenue in Finland down 25.1%
 - Timing of the Crazy Days campaign
 - Withdrawal from own electronics sales
 - Continuously weak tax free sales in Helsinki flagship store
- Revenue in international operations down 15.3%, or down 3.9% at comparable exchange rates
 - Successful Crazy Days in Russia, but the overall market is weakening
 - Summer sale in Baltics started a week later than in 2014





Operating result in Q2 2015

- Gross margin 40.5% (36.7%)
 - Timing of the Crazy Days campaign
 - Fewer price-driven sales campaigns
 - Reduced food waste due to the efficiency programme
 - Currency adjustments in Russia
- Operating costs down by EUR 7.7 million, including non-recurring costs of EUR 4.3 million (Oulu, Megas)
 - Reduced personnel costs and other cost savings measures
 - Remaining Beauty stores closed
- Operating result excl. NRI EUR -17.4 million (EUR -14.2 million)
 - Reported operating result EUR -21.7 million





Outlook for the rest of 2015

- Revenue for 2015 will be down on 2014 mainly due to the weak Russian rouble and withdrawing from electronics and books
 - Electronics and books account for approx. 10% of Retail's total sales
- Continued focus on key product categories: fashion, cosmetics, home and food
- Actions in line with the new strategy continue
 - Launching Stockmann loyal customer application in September
 - Savings from the efficiency programme and reduced store rental costs mainly visible in 2016



BROOKLYNN



402



214

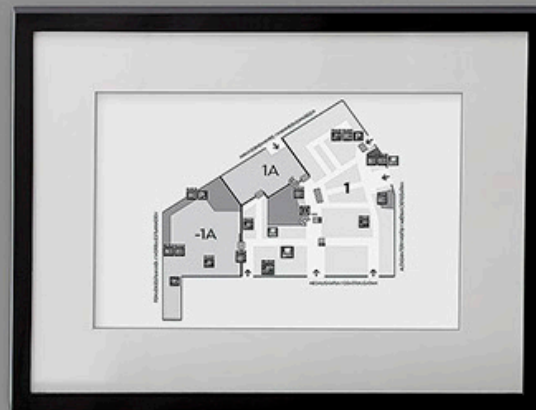
Saanko luvan?



Real Estate



NDERSGATAN





Real Estate in Q2 2015

- Five properties in four countries, with a gross leasable area of 144 000 sqm
 - Fair value of properties EUR 895.1 million at the end of the quarter
- New tenant Expert opened its electronics stores in Stockmann's premises
 - Helsinki on 15 May
 - Turku on 23 June
 - Tampere will follow in September
- Letter of intent signed on the sale of Academic Bookstore business
 - Bonnier will rent approx. 5 000 sqm from Stockmann's existing premises, of which almost half in the Book Building in Helsinki

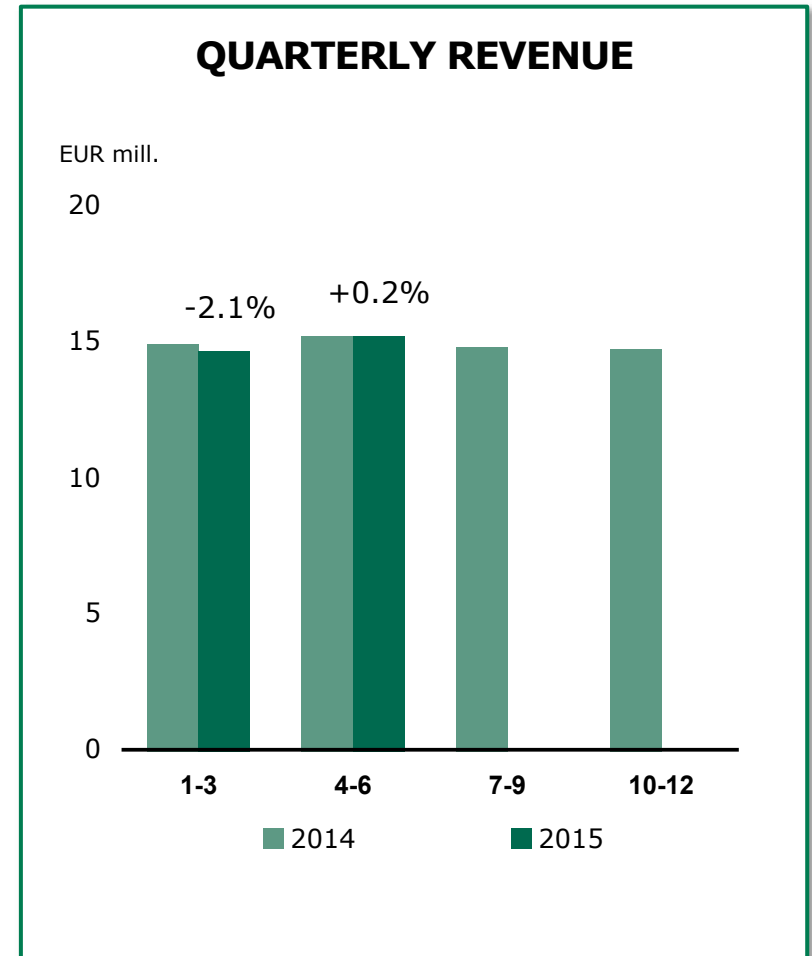




Revenue in Q2 2015

- Revenue EUR 15.2 million (EUR 15.2 million)
- Net operating income* from own properties EUR 12.7 million (EUR 11.8 million)
- Net rental yield 5.4 per cent
- Average rent EUR 33.84 per sqm
- Occupancy rate 99.2 per cent at the end of quarter
 - 74% of the GLA used by Stockmann Retail, rest by external tenants

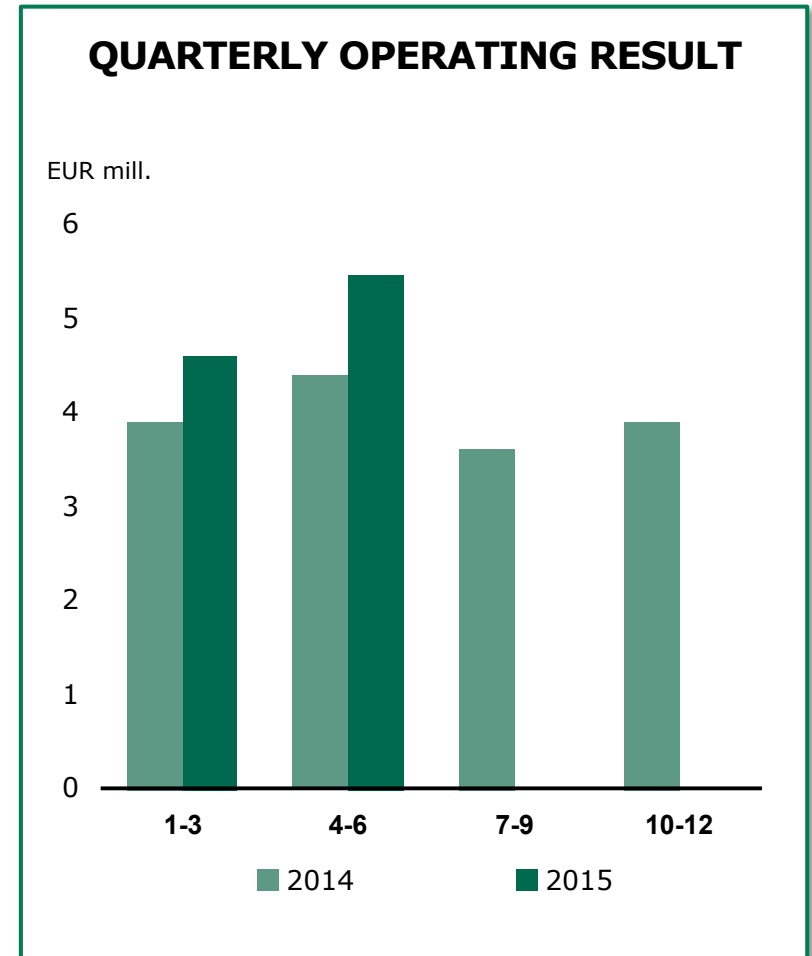
* Rental income less maintenance expenses





Operating profit in Q2 2015

- Operating profit EUR 5.5 million (EUR 4.4 million)
 - Operating costs down, depreciation up
- Capital expenditure EUR 0.9 million (EUR 0.8 million)
 - Property maintenance and refurbishments for new tenants



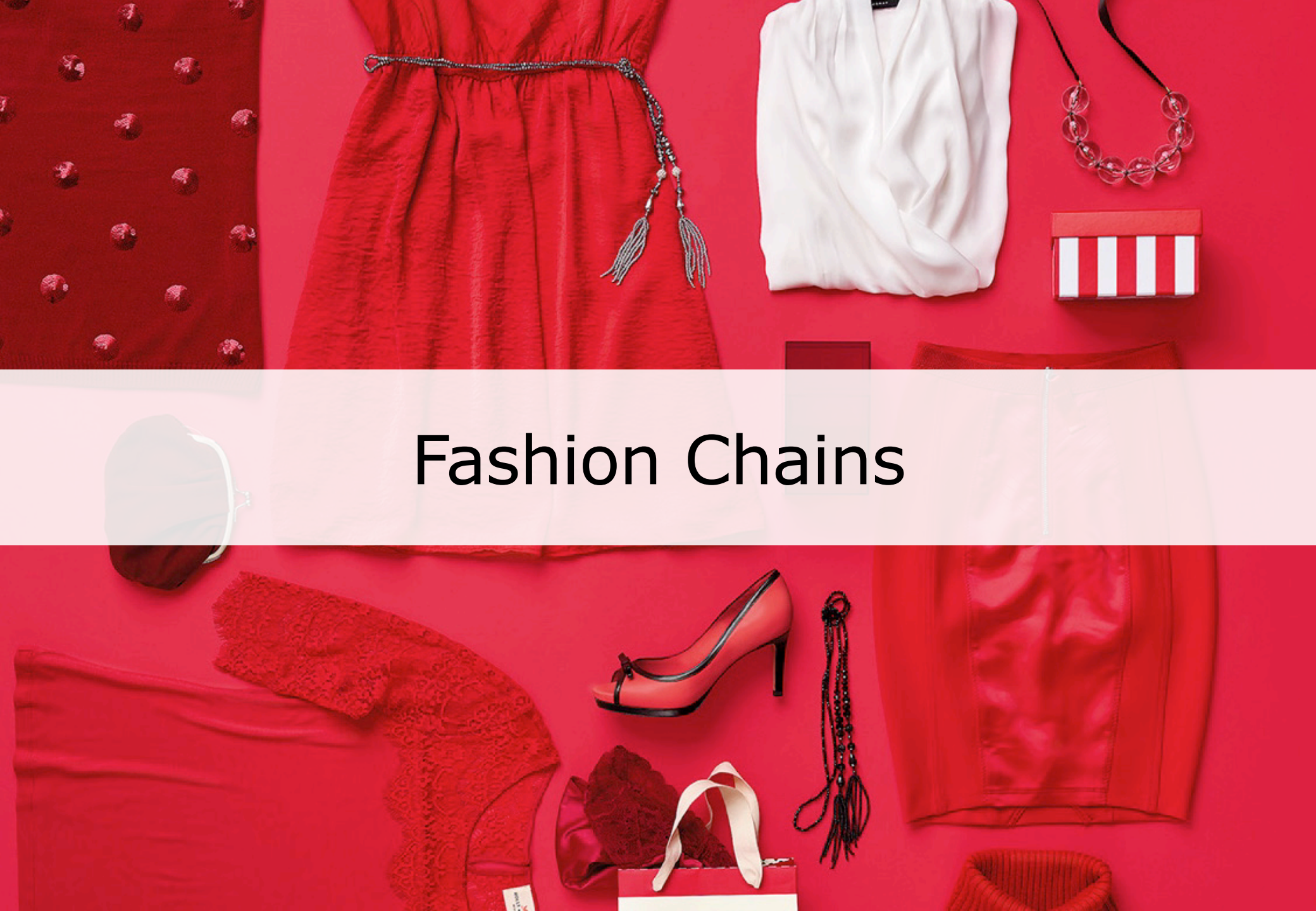


Outlook for the rest of 2015

- Implementing the strategy by bringing new tenants to the department stores in all markets
 - Hamleys, flagship store for Halti and Espresso House in Helsinki city centre department store
 - Bonnier/Academic Bookstore in 6 stores in Finland, including the Book Building in Helsinki
 - Euronics in Tallinn and Riga
 - Costa Coffee in Riga
 - Katharienthal café and Yliopiston Apteekki in Tallinn
 - Expert and Kuninkaankadun Apteekki in Tampere
 - Intera Partners in Book Building's office premises in Helsinki



Expert opened its electronics store in May in Helsinki and in Turku in June.



Fashion Chains



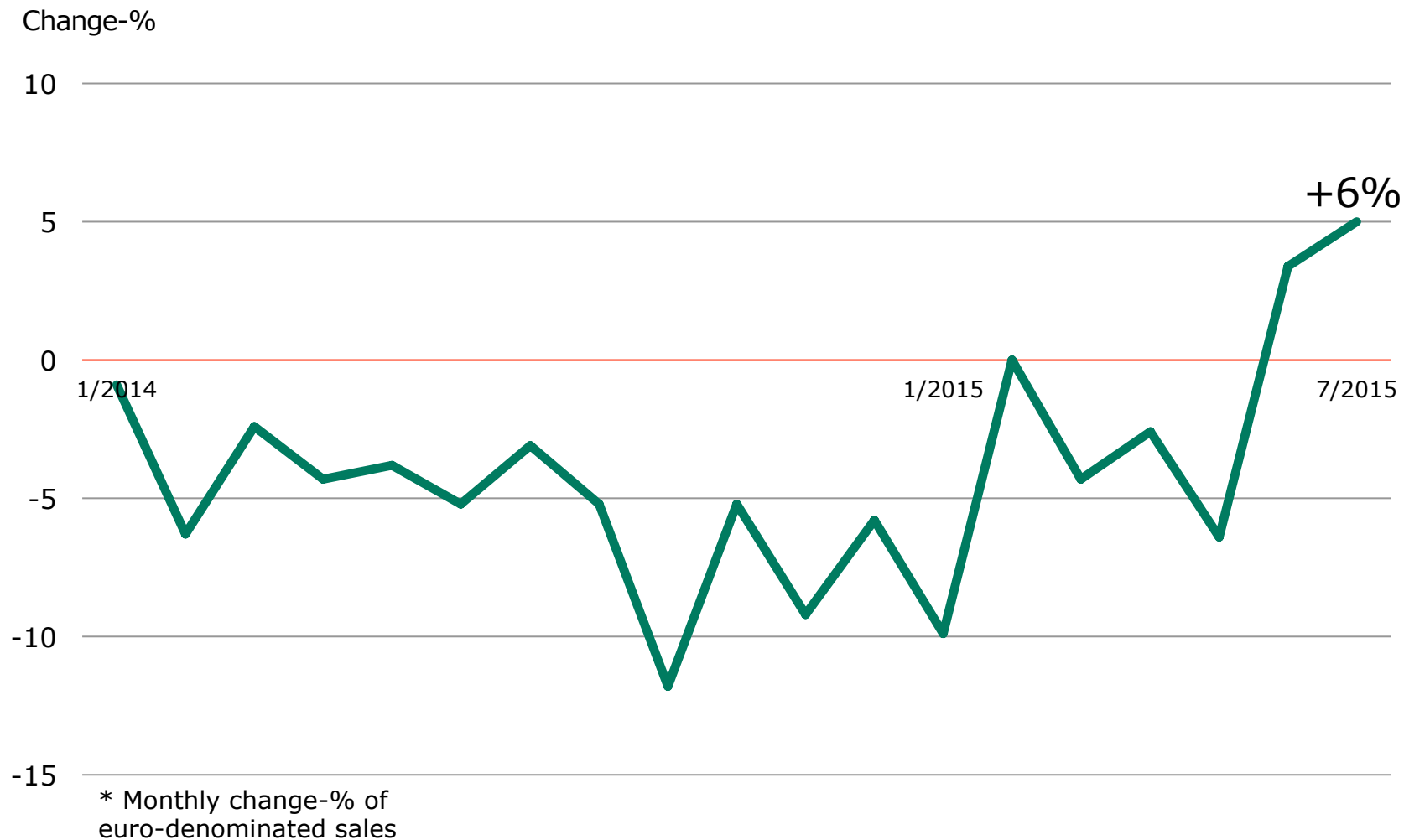
Lindex in Q2 2015

- Sales close to the 2014 level
 - Weak sales in May
 - Positive development (+6.6% at comparable currencies) in June
- Successful launch of the own cosmetics label Lindex Beauty
- Bra-volution Forever campaign with Lindex employees
- Operations in Russia closing down according to plan
- Improved omnichannel functions e.g. next day delivery and order in store





Lindex sales development 2014–2015



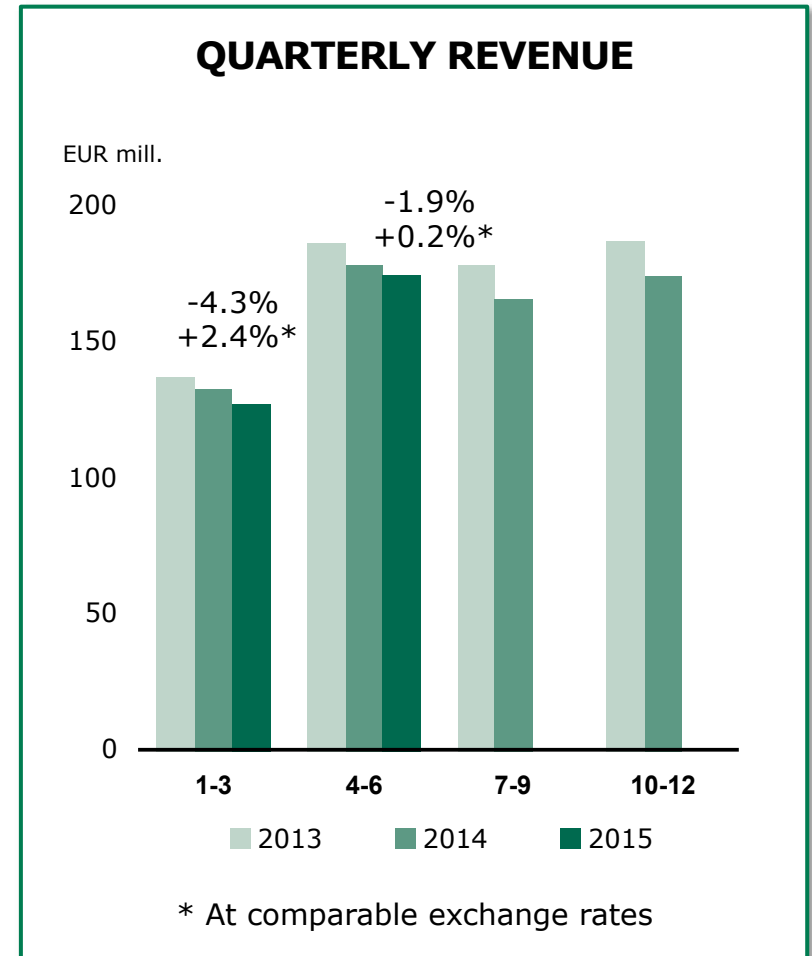
STOCKMANN



Revenue in Q2 2015

- Revenue down 1.9%, to EUR 174.6 million (EUR 178.0 million)
 - Decline due to the weak Swedish krona vs. euro
- Revenue at comparable exchange rates down 0.2%
 - Growth in the Baltic countries and eastern Central Europe
 - Comparable revenue* down 1.3%
- Increase in lingerie and children's wear, decline in women's wear

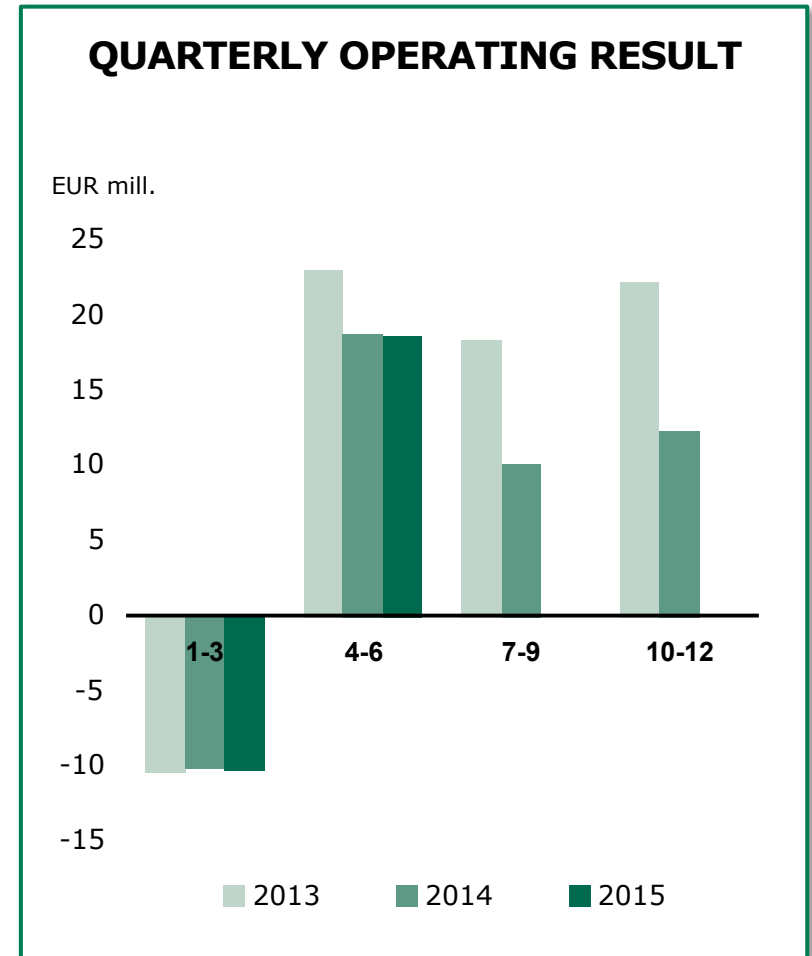
* Excluding stores opened/closed during the past 12 months





Operating profit in Q2 2015

- Gross margin 62.9% (63.0%)
- Operating costs on a par with Q2 2014 in Swedish krona but euro-denominated costs down
- Operating profit EUR 18.6 million (EUR 18.7 million)
 - Good cost control compensated the decline in revenue





International expansion

- Lindex opened 2 stores and closed 4 stores during the second quarter
- Store network on 30 June 2015
 - 492 stores in 18 countries, of which 37 franchising stores
- Lindex continues to open new stores in 2015, including franchising stores
- In Russia, all stores will be closed down during 2015–2016
- Total number of stores at year-end 2015 estimated to remain on a par with 2014





Outlook for the rest of 2015

- Increased focus on customers, sales and commercial offering
- Strong autumn campaigns
 - Focus on product & price
 - Continued support for Pink Ribbon
- Launch of a sustainable denim collection
- Second store opening in London Westfield in UK
- New franchising market: Albania
- Proceeding in strategic priorities and actions towards increased profitability

