



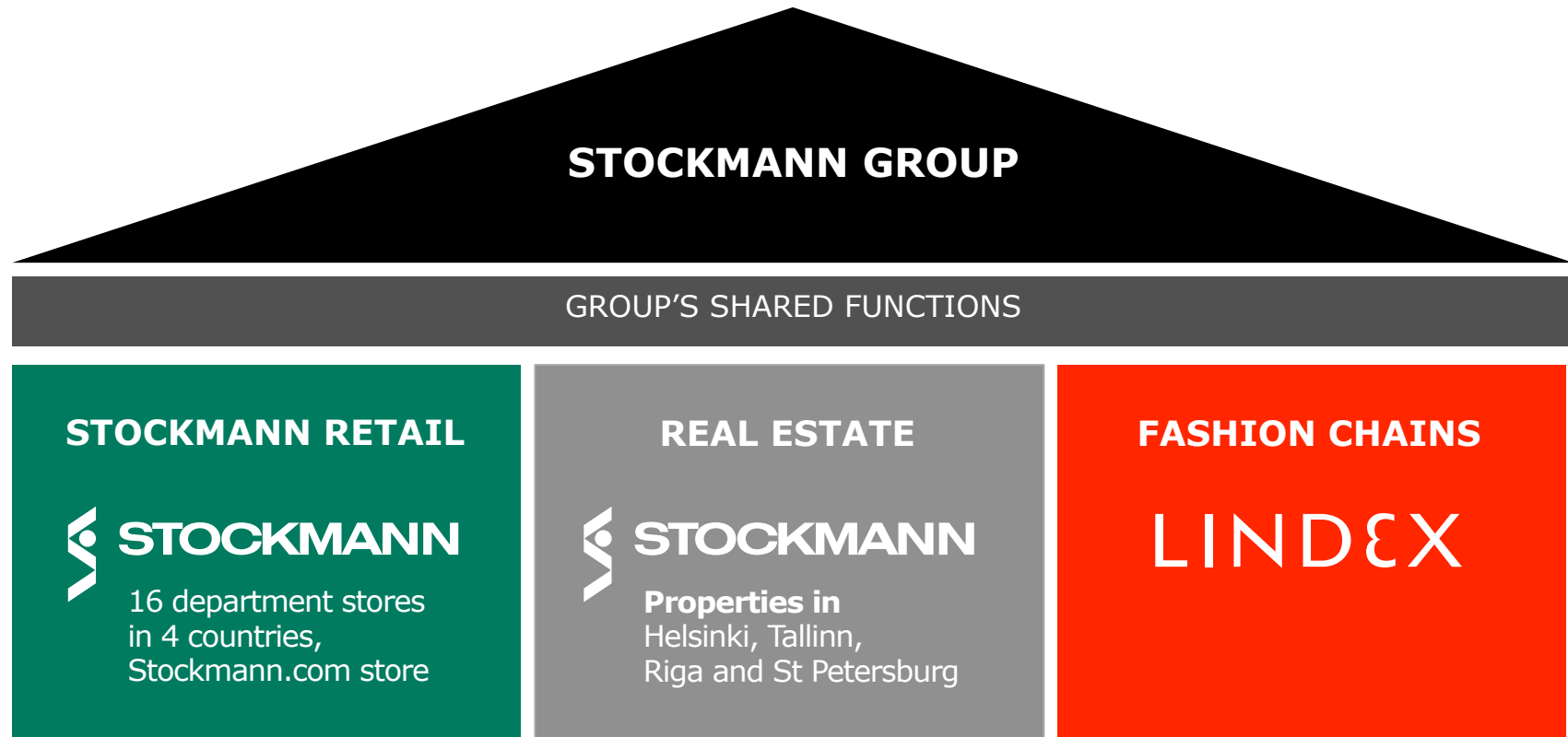
STOCKMANN

Interim Report Q3 2015

28 October 2015



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



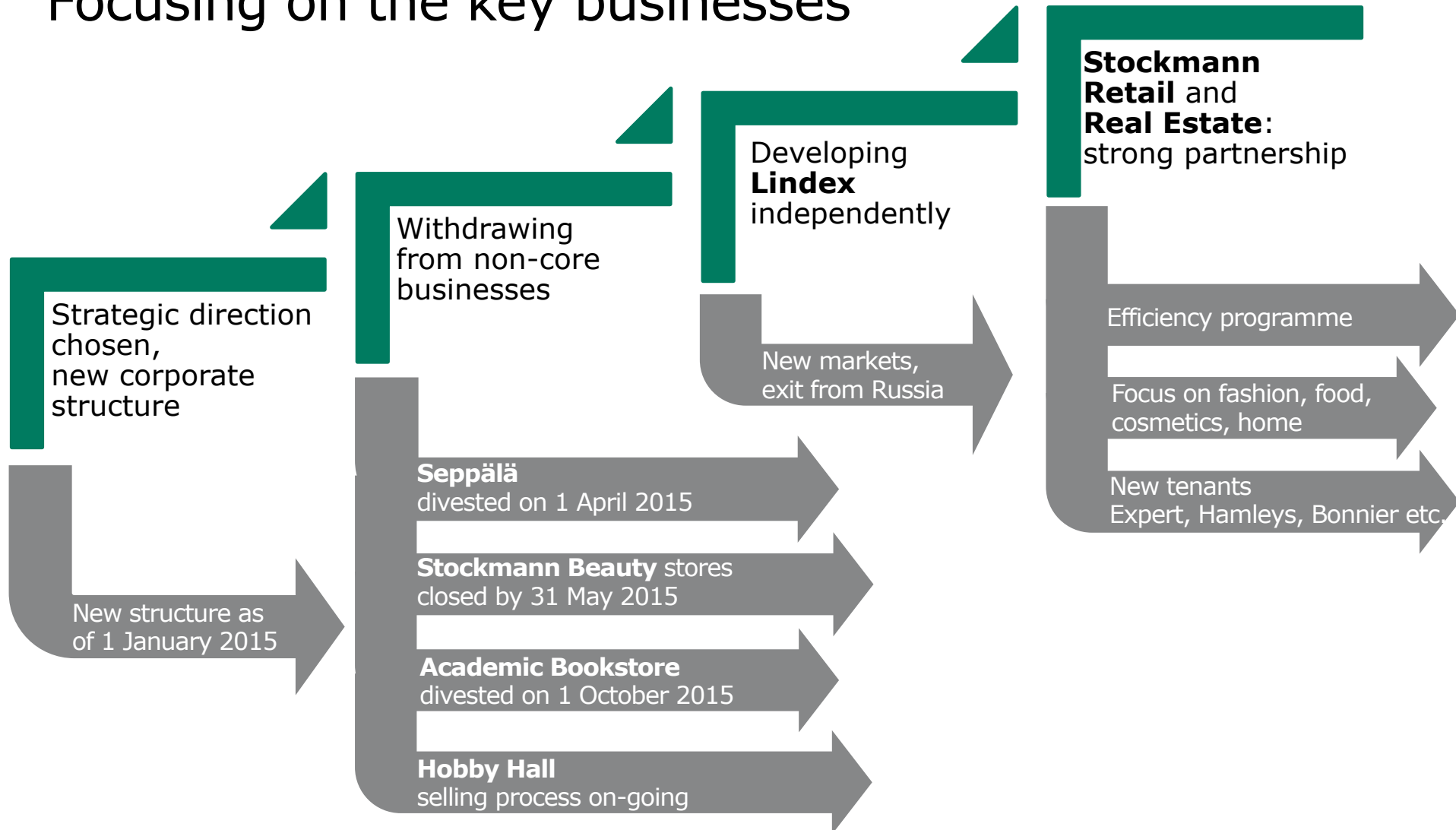
Includes Hobby Hall
Included Academic Bookstore
until 1 October 2015

Included Seppälä until 1 April 2015

STOCKMANN



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





Our strategy in brief

CUSTOMER

"Every day is a new opening"
– focus on providing a top-notch shopping experience and increasing sales



EFFICIENCY

Effective support functions, processes and IT systems enable sales personnel to concentrate on the customer





Enhanced customer experience: Inspiration, quality and convenience

signed
for you

Strategic actions continue to improve customer service, product selection and customer loyalty in all channels.



STOCKMANN



Efficiency programme for a rationalised scope of operations

- Annual cost savings of EUR 50 million targeted by the end of 2016
- Releasing own store space and bringing in new tenants
 - Approx. 12 000 sqm released during 2015
- Withdrawing from certain product categories by the end of 2015
 - Electronics (Q2), books (Q3), sports equipment, pet supplies and toys (Q4)
- Actions for improved cooperation with suppliers
 - Reviewing brand mix and renegotiations terms with key suppliers for improved gross margin
 - Inventories down by over EUR 45 million year-on-year in Stockmann Retail; decline in warehouses – stock levels in department stores on a par with 2014
- Store closures
 - Four department store closures (three stores in Megas in Moscow by the end of 2016 and one store in Oulu in early 2017)
 - 19 Lindex stores in Russia by the summer 2016
- Simplified processes and streamlined support functions
 - Approx. 200 jobs in Finland and Russia reduced in 2015; in total up to 420 in 2015-2016
 - New Stockmann's distribution centre to reduce headcount in warehouses by approx. 110
 - Lindex reducing office and store costs, more focus on an effective supply chain process



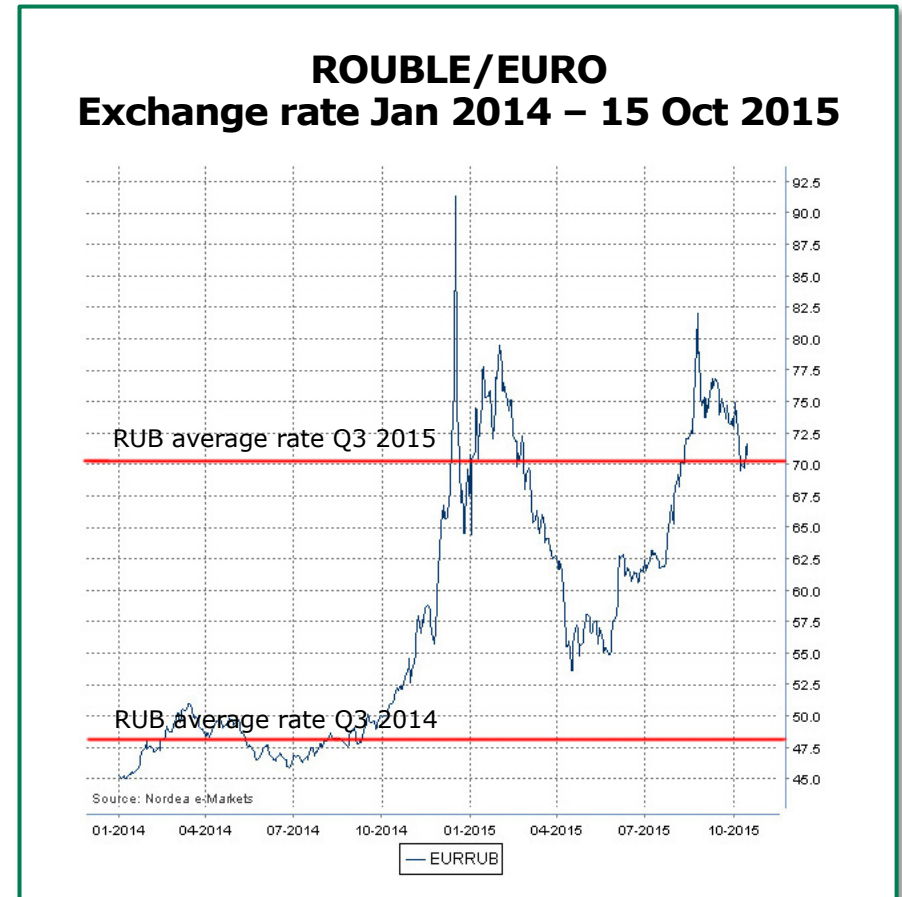
Stockmann Group





Retail market in brief

- Finland
 - Retail market remained weak
 - Fashion market down by 8.5% (TMA) during January-September
- Baltic countries
 - Market environment remained relatively stable
 - Increased competition in Estonia and Latvia
- Sweden
 - Fashion market up in July and September, but down in August
 - Year-to-date growth 1.3% (Stilindex)
- Russia
 - Market continued to be insecure
 - Rouble's average rate in Q3 was 46% weaker against euro

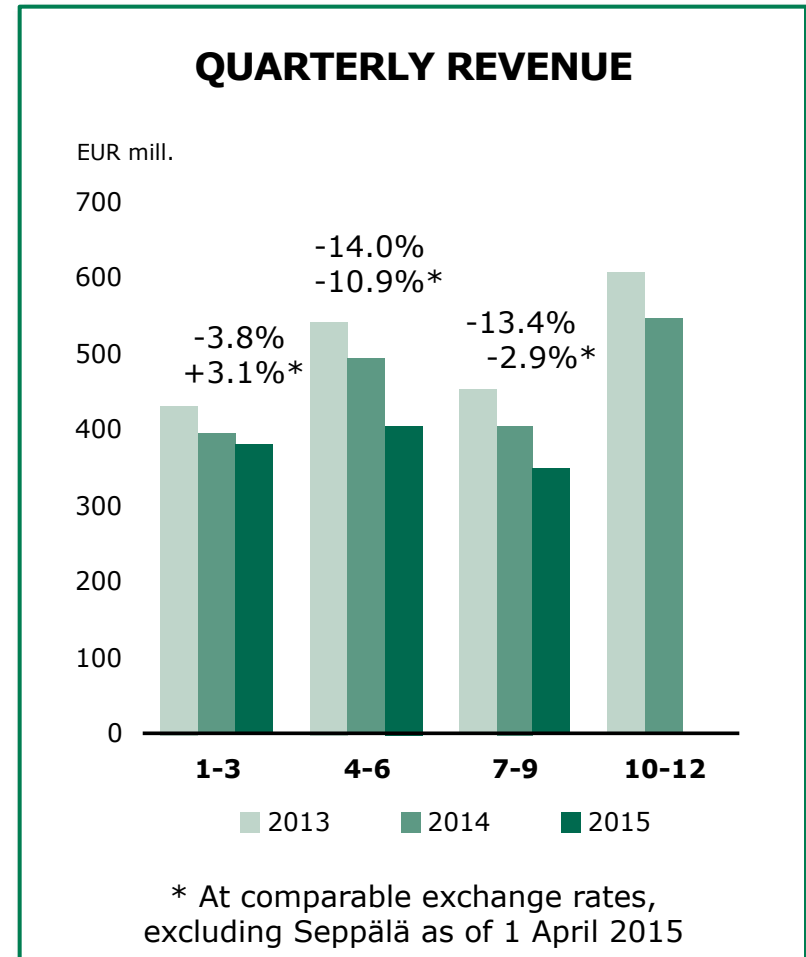




Revenue in Q3 2015

- Revenue EUR 350.9 million (EUR 405.0 million), down by 7.8% excluding Seppälä
 - Revenue* down by 2.9% at comparable exchange rates
 - Russian rouble continuously weak
- Revenue* in Finland down by 17.7%
 - Withdrawal from own electronics sales
- Revenue* in international operations down by 9.9%
 - Revenue* at comparable exchange rates up 2.3%

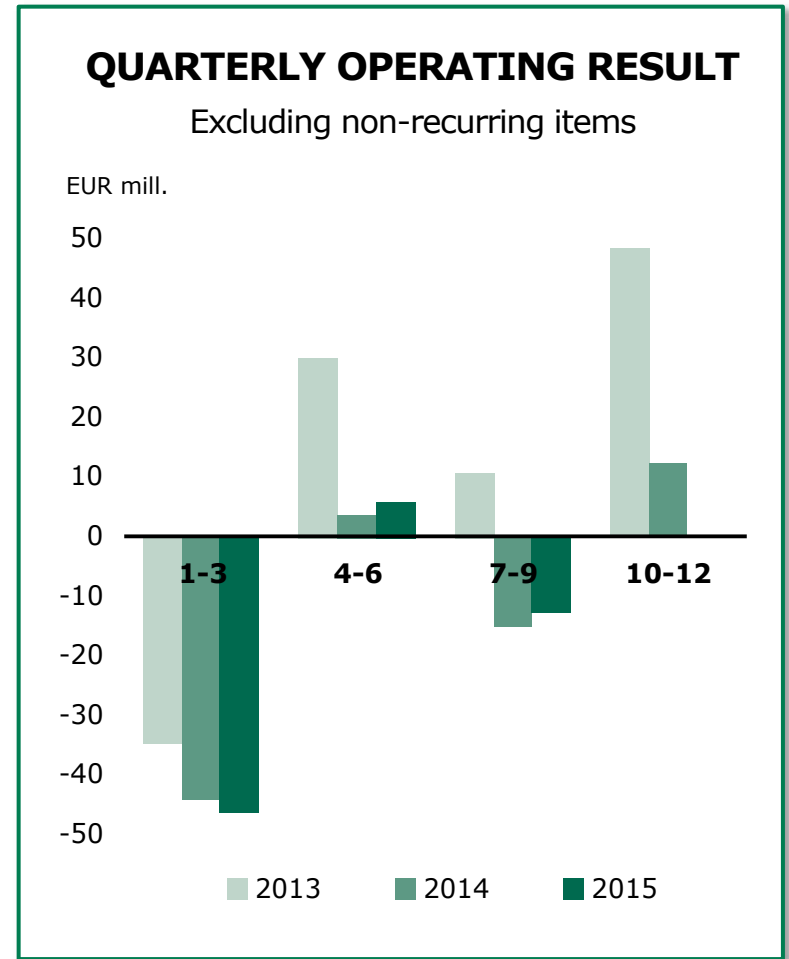
* Excluding Seppälä which was divested on 1 April 2015





Operating result in Q3 2015

- Gross margin 50.1% (49.6%)
 - Increase due to divestment of Seppälä
- Operating costs EUR 171.5 million (EUR 198.7 million) including NRI
- Non-recurring costs EUR 3.2 million
 - Related to inventories and non-current assets of the Academic Bookstore
- Depreciation EUR 20.5 million (EUR 17.2 million)
 - Increase due to revaluation of properties and accelerated depreciation schedule of the Mega stores in Russia
- Operating result excluding NRI EUR -12.7 million (EUR -14.8 mill.)
 - Reported operating result EUR -16.0 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.

		1-9/2015	1-9/2014	1-12/2014
Equity ratio	%	43.8	39.0	39.3
Gearing	%	89.9	114.3	105.4
Net financial costs	EUR mill.	15.7	17.4	21.4
Earnings per share	EUR	-1.17	-0.86	-1.39
Cash flow from operating activities	EUR mill.	-79.8	-87.3	29.6
Inventories	EUR mill.	261.2	334.4	239.3
Capital expenditure	EUR mill.	37.0	42.7	53.8
Depreciation	EUR mill.	61.8	53.6	71.0
Property, plant and equipment	EUR mill.	1 003.9	599.2	590.5
Balance sheet total	EUR mill.	2 337.5	2 060.4	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 Q3 2015

- New campaigns offering experiences and inspiration to customers
 - BROOKLYNN campaign with seasonal products, pop-up stores and events
 - 2/20 concept in Delicatessen in Helsinki and Tapiola for easy everyday cooking
 - New brands in own selection e.g. Reiss, Malene Birger, Coach, Tru Trussardi, Rebecca Minkoff and Scandale
- Sales decline in the department stores in Finland is stabilising
 - Men's and women's fashion gained market share in Finland
 - Continuously strong cosmetics
- Sales in rouble increased in Russia, but extremely weak currency rate affected performance





New digital solutions improve customer service

- Stockmann app launched in September
 - E.g. Mobile coupons, other benefits to loyal customers, purchase history information
 - New features to be introduced in stages
- Tablet tool for sales personnel in all Finnish department stores during autumn 2015
 - Improved customer service e.g. for checking product availability
- Digital fitting room to be expanded to all Finnish stores by the end of 2015
 - Piloted in the spring at the Helsinki city centre department store with good results
- Possibility to return online purchases to all cashier desks
- Wi-fi available for customers in all stores





New Distribution Centre to open in April 2016

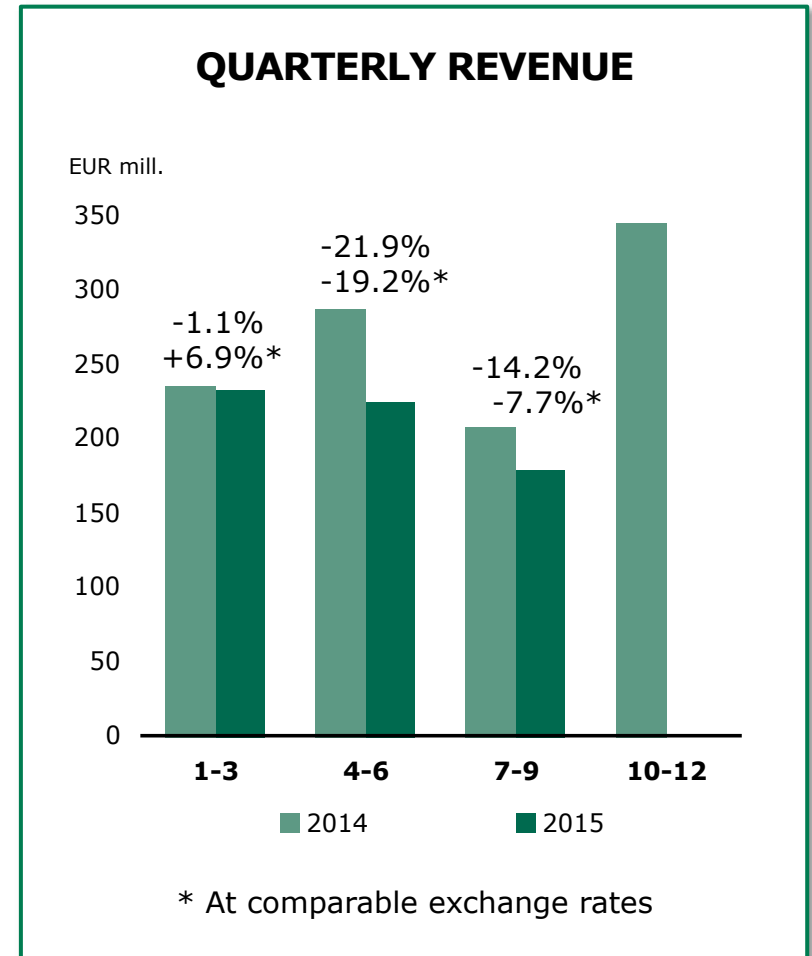
- Current warehouse operations in four locations in Finland to be centralised into one centre in Tuusula in 2016
 - Photo studio also to move to the centre
 - Baltic warehouse in Latvia to be transferred in 2017
 - Hobby Hall warehouses remain as before
- Highly automated operations
 - Serve the Finnish and Baltic department stores and the online store more efficiently
 - Quicker delivery times to customers
 - Employ considerably fewer employees than at present: approx. 110 jobs will be reduced in 2016 (estimate in 2/2014 was a maximum of 220 jobs / 200 FTEs)
- Annual cost savings of approx. EUR 5.5 million, or 3.5 million incl. the increased depreciation, to be fully achieved in 2018





Revenue in Q3 2015

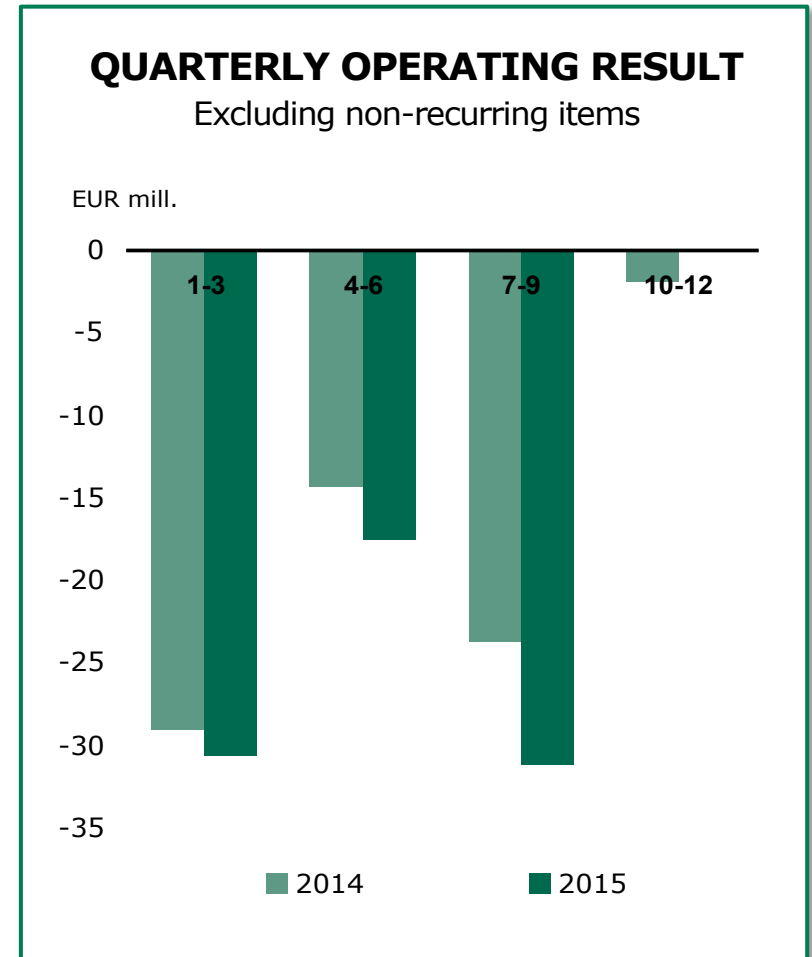
- Revenue down by 14.2%, to EUR 178.1 million (EUR 207.5 million)
 - Revenue at comparable exchange rates down by 7.7%
- Revenue in Finland down by 10.6%
 - Excluding electronics and Hobby Hall down by 3.5%
 - Clearing of book inventories before the sale of the Academic Bookstore affected revenue
- Revenue in international operations down by 22.0%, or up 0.1% at comparable exchange rates
 - Sales in rouble in Russia slightly up





Operating result in Q3 2015

- Gross margin 37.6% (38.1%)
 - In Finland gross margin up excluding books, or on a par including books
 - In Russia down due to weak currency exchange rate; new price increases made in September
- Operating costs down by EUR 3.0 million, or EUR 6.2 million excluding NRI for the Academic Bookstore
 - Reduced personnel and store costs
- Operating result excluding NRI EUR -31.0 million (EUR -23.6 mill.)
 - Reported operating result EUR -34.2 million
- Inventories down by over EUR 45 million year-on-year





Crazy Days in October 2015

- Campaign held in the department stores and online store on 7–11 October
- Total sales up 4.0% at comparable exchange rates, excluding withdrawn product categories
- Strong sales in Finland
 - Both in online and department stores
 - Fashion and food achieved the best growth of all product categories
- Sales in Russia up 14.5% in roubles, but down 17.9% in euros
- Sales in the Baltics down 3.6%



REVENUE

Autumn 2015 vs. 2014

Finland	1.1%
Baltics	-3.6%
Russia	14.5% (RUB) -17.9% (EUR)
TOTAL	4.0% (comparable) -5.4% (EUR)



Outlook for the rest of 2015

- Continued focus on key product categories: fashion, cosmetics, home and food, which made over 85% of sales in 2014
- Key investment: new highly automated distribution centre in Tuusula opening in April 2016
- Strong Christmas campaign: *Christmas wrapped up in its best*
 - Highlighting services for loyal customers, pop up shops, gift recommendations (stores, online, Premiere), ready wrapped gifts and ready-made Delicatessen bags



402



214

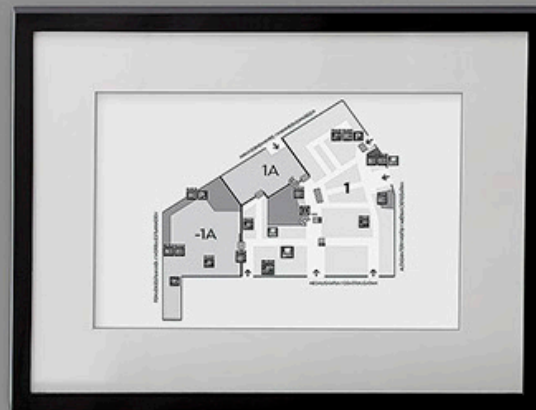
Saanko luvan?



Real Estate



NDERSGATAN





Real Estate in Q3 2015

- Five properties in four countries, with a gross leasable area of 144 000 sqm
 - Fair value of properties EUR 888.8 million at the end of the quarter
- New tenants during Q3
 - Tampere: Expert, Pharmacy Syke
 - Tallinn: Euronics
 - Riga: Euronics, Costa Coffee
 - Lease agreement signed with Bonnier for Academic Bookstore
- Own security company being established as a subsidiary
 - Enables offering professional, high quality security services to tenants as part of the real estate business

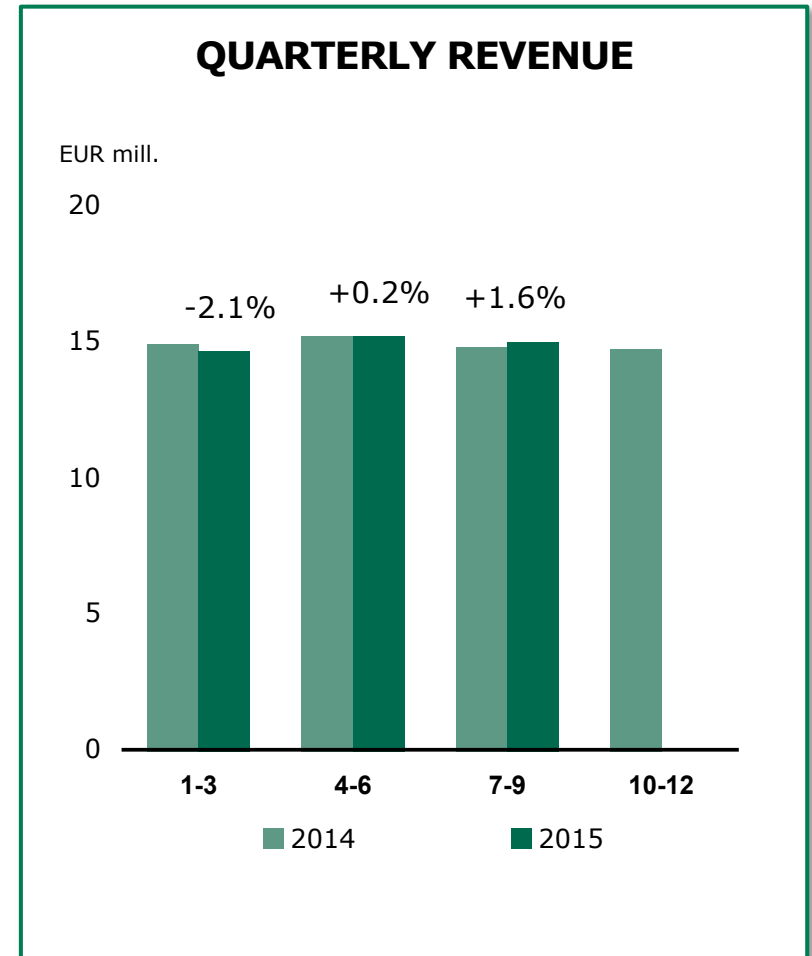




Revenue in Q3 2015

- Revenue EUR 15.0 million (EUR 14.8 million)
- Net operating income* from own properties EUR 11.7 million (EUR 11.0 million)
- Net rental yield 5.3 per cent
- Average rent EUR 33.42 per sqm
- Occupancy rate 98.7 per cent at the end of quarter
 - 71% of the GLA used by Stockmann Retail, rest by external tenants

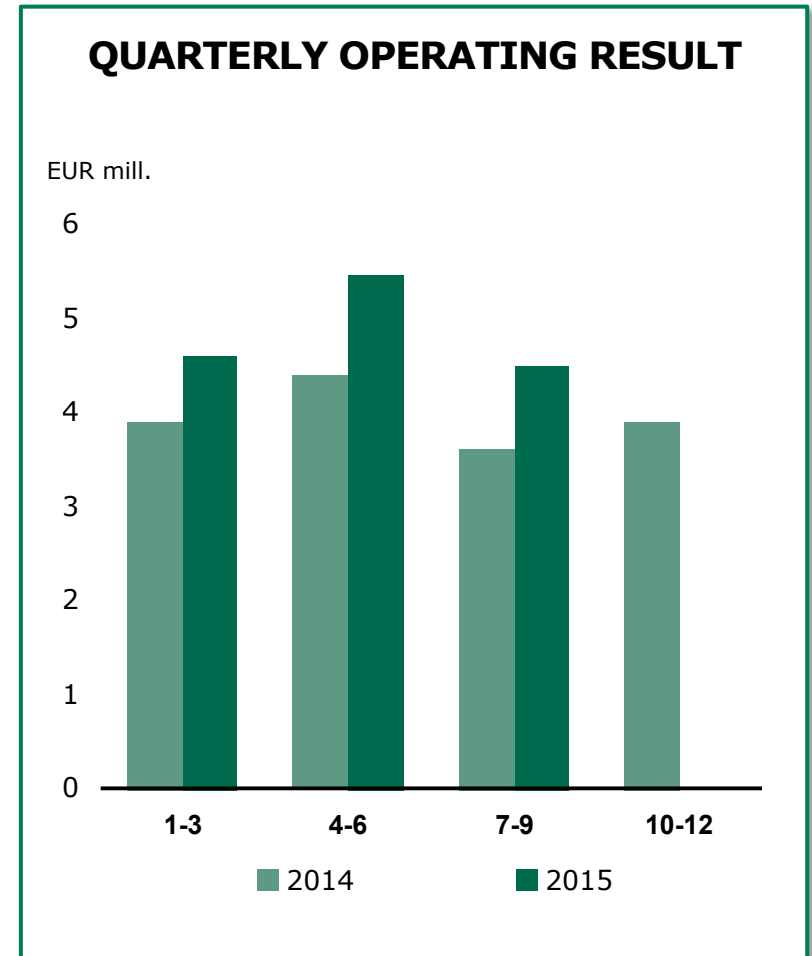
* Rental income less maintenance expenses





Operating profit in Q3 2015

- Operating profit EUR 4.5 million (EUR 3.6 million)
 - Lower operating costs than in 2014
 - Depreciation up due to fair valuation of properties
- Capital expenditure EUR 1.9 million from the beginning of the year (EUR 1.2 million)
 - Property maintenance and refurbishments for new tenants





Outlook for the rest of 2015

- Bringing in new tenants to the department stores in all markets
 - Bonnier/Academic Bookstore started on 1 October in Helsinki Book Building, Tampere, Itis and Jumbo stores; in Turku and Tapiola lease agreements transferred to Bonnier
 - Hamleys, Halti, Musti ja Mirri and Espresso House in Helsinki city centre department store
 - Katharinenthal café and Yliopiston Apteekki (2016) in Tallinn
 - Intera Partners in Book Building's office premises in Helsinki (2016)
- Approx. 12 000 sqm released from Stockmann Retail to tenants in 2015
 - Leasing of sales space taken place with speed



STOCKMANN





Lindex in Q3 2015

- Good quarter with increase in sales in local currencies
 - Strong sales in July and September
 - August challenging due to exceptionally warm weather
 - Strongest sales increase in children's wear
 - Successful 'Autumn hitlist' campaign with famous model and focus on fashion products & price
- Launch of sustainable denim collection
- Central European flagship store opening in Palladium in Prague
- Operations in Russia closing down according to plan

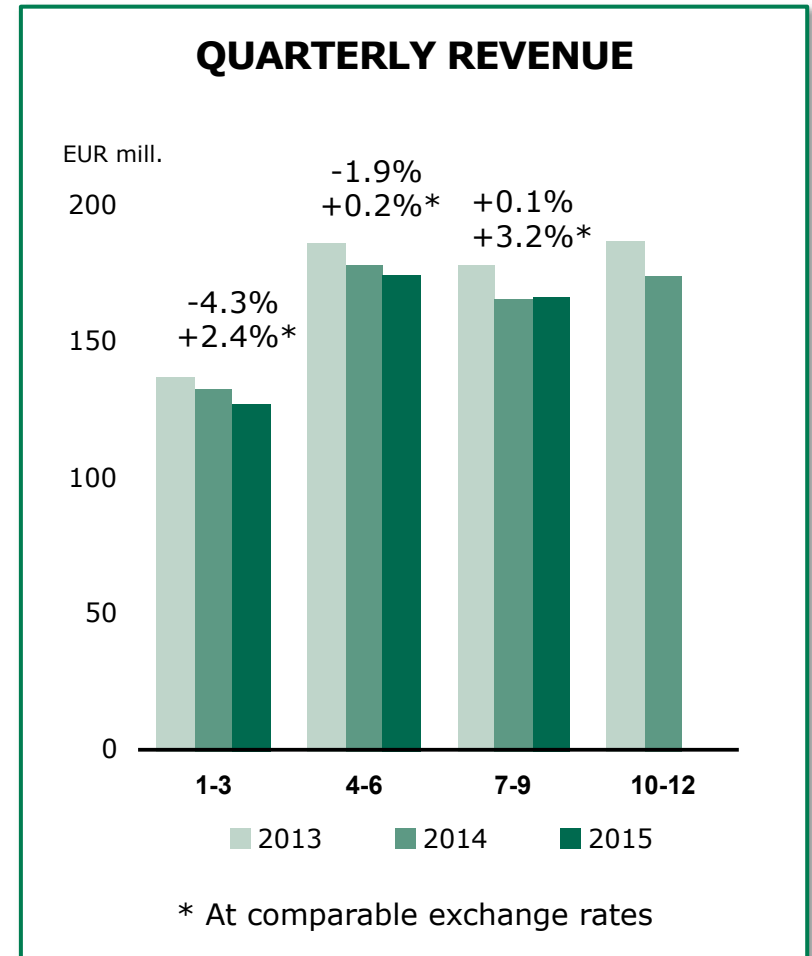




Revenue in Q3 2015

- Revenue up 0.1%, to EUR 166.2 million (EUR 166.0 million)
 - Moderate increase due to the weak Swedish krona and Norwegian krone
- Revenue at comparable exchange rates up 3.2%
 - Growth in all countries except in Russia and Poland
 - Comparable revenue* up 2.4%
- Increase in lingerie and children's wear, decline in women's wear at comparable stores

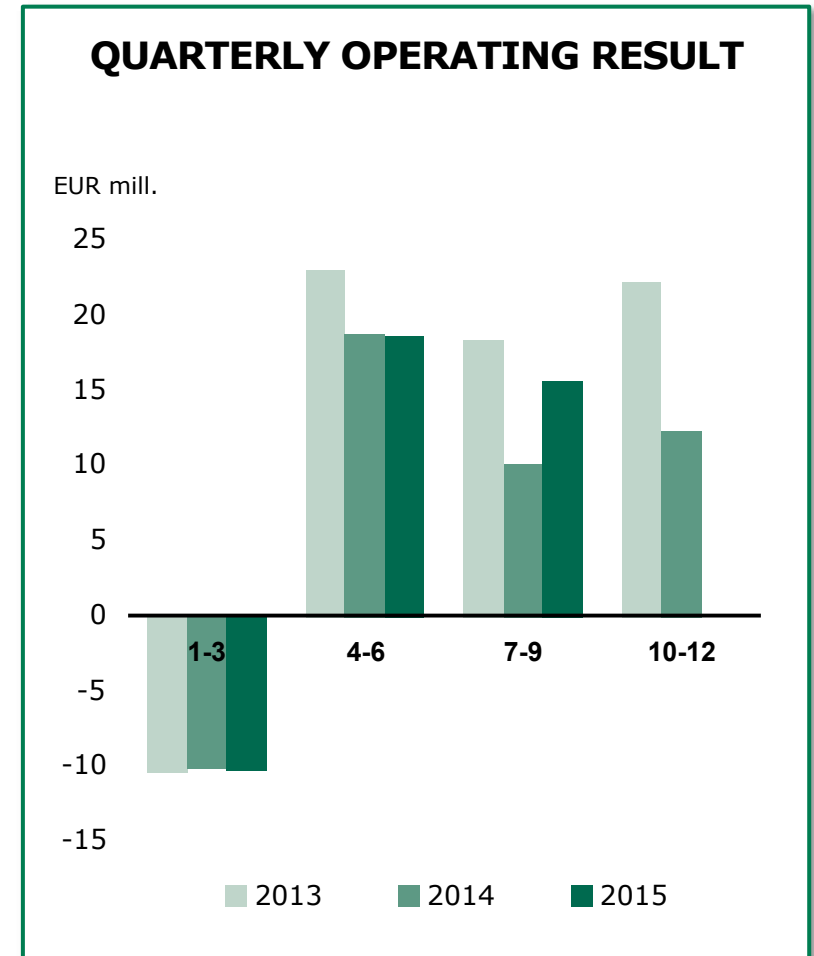
* Excluding stores opened/closed during the past 12 months





Operating profit in Q3 2015

- Gross margin 61.6% (62.0%)
- Operating costs down
 - Marketing costs down; in 2014 exceptionally high marketing costs due to Jean Paul Gaultier campaign and Lindex 60th anniversary
 - Lower store and office expenses due to cost savings and currency effects
- Operating profit EUR 15.5 million (EUR 10.0 million)
- Inventories on a par with 2014





International expansion

- Lindex opened 3 stores and closed 7 stores during the third quarter 2015
- Store network on 30 Sept. 2015
 - 488 stores in 18 countries, of which 38 franchising stores
- In Russia, all stores will be closed down during 2015–2016
 - Six stores closed in Q3 2015
- Total number of stores at year-end 2015 estimated to remain on a par with 2014

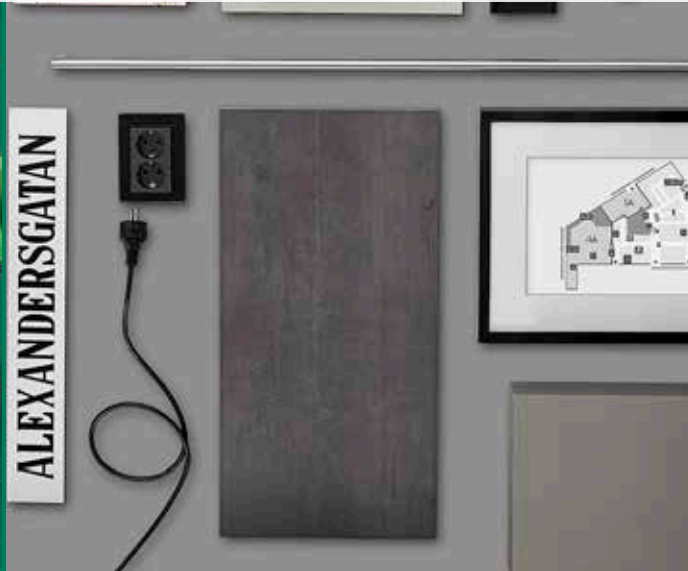




Outlook for the rest of 2015

- Positive sales expectations for all markets
- Strong growth in the online store expected to continue
- Second store opening in London Westfield in UK
- New store opening in Mall of Scandinavia in Stockholm
- Actions for cost reductions continue according to plan
- Important Christmas campaign
- Continuously increased customer and sales focus





Wrap-up



Stockmann's Q3 2015 in brief

- New strategy well under way – we are at the beginning of building a new Stockmann
- Improved performance despite decline in revenue
- Group's gross margin up
- Operating costs declined due to cost savings measures in all divisions and divestment of Seppälä
- Group's operating result excluding non-recurring items up
- Improved result for Lindex
- New tenants improve cash flow
- Inventories significantly down

