



INTERIM REPORT Q1 2016

Stockmann Group | 28 April 2016

STOCKMANN



MAJOR STEPS TAKEN IN STRATEGY IMPLEMENTATION

NEW STRATEGIC DIRECTION ANNOUNCED IN DECEMBER 2014,
IMPLEMENTATION STARTED AS OF 1 JANUARY 2015

New structure: Stockmann Retail, Real Estate and Lindex

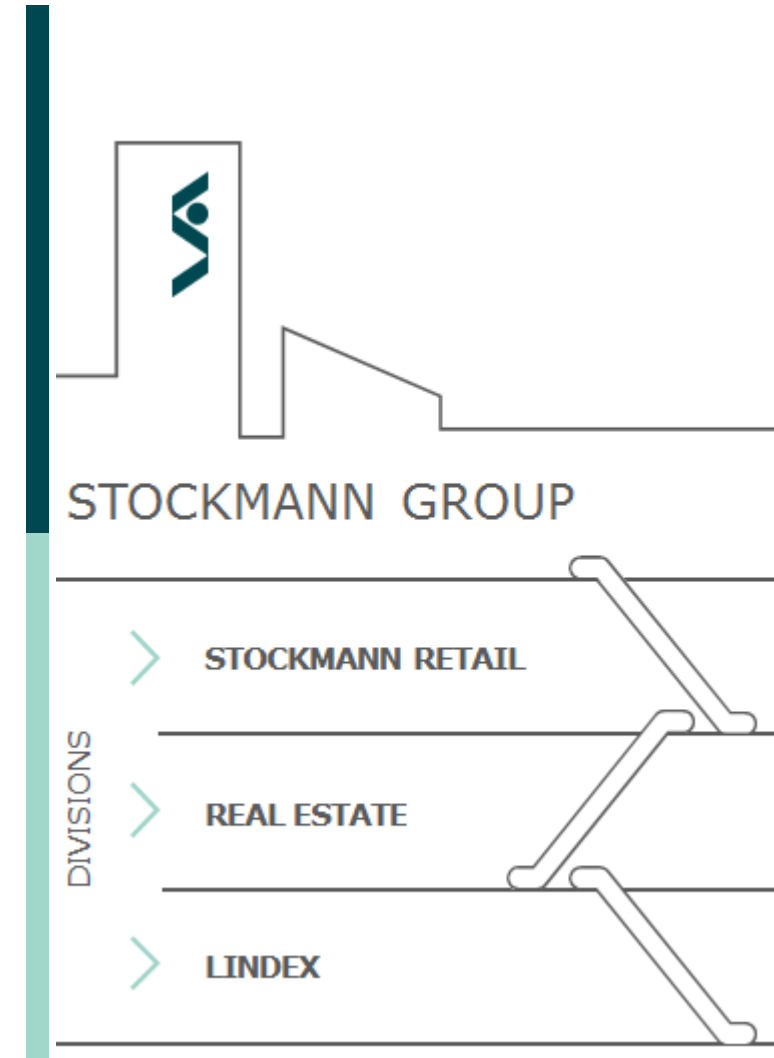
- ✓ Own retail focused on fashion, cosmetics, home and food
- ✓ Real Estate properties revalued at their fair value
- ✓ Own independent Board of Directors for Lindex

Store network review

- ✓ Department store business in Russia divested
- ✓ Decision made to close down the department store in Oulu
- ✓ Lindex to withdraw from Russia by mid May 2016

Withdrawal from non-core businesses

- ✓ Seppälä divested
- ✓ Stockmann Beauty chain closed down
- ✓ Academic Bookstore business divested
- ✓ Agreement signed for Hobby Hall's divestment





STRATEGIC ACTIONS WILL PROCEED WITH SPEED

Efficiency programme well under way for cost savings

- ✓ Renegotiating terms with suppliers for lower costs of goods
- ✓ Over 15 000 sqm store space released from Stockmann Retail
- ✓ Inventories reduced by approx. 70 million in 2015
- ✓ New support function organisation with a reduced headcount

Lindex expansion to new markets

- ✓ Stores opened in London, UK
- ✓ New franchising markets Albania and Kosovo

New tenants complementing the offering

- ✓ Expert and Euronics: electronics
- ✓ Hamleys and XS Toys: toys
- ✓ Musti ja Mirri: pet supplies
- ✓ Bonnier/Academic Bookstore: books, magazines and stationery
- ✓ Halti and Scandinavian Outdoor: outdoor clothing and equipment
- ✓ Isku-Värisilmä-Vallila-Keittiömaailma: home interiors
- ✓ Espresso House, Katharienthal, Costa Coffee, Gastrobar: cafés
- ✓ Syke and University pharmacies
- ✓ UMA Esplanadi, Intera Partners: office tenants





CUSTOMER AND EFFICIENCY WILL REMAIN IN FOCUS

Strengthening omnichannel shopping experience

- ✓ Revamped Stockmann.com online store
- ✓ New digital tools and services in stores and online
- ✓ Renewed brand mix, new events, campaigns and seasonal pop-ups

Investing in store environments

- ✓ Major refurbishments in Helsinki flagship store
- ✓ Introducing attractive tenants to store premises
- ✓ New department store to open in Tapiola in 2017

Increasing efficiency further

- ✓ New highly automated distribution centre
- ✓ Supplier negotiations in indirect procurement
- ✓ Cost savings actions continue in support functions





Q1 2016 IN BRIEF

Gross margin

↑ **50.2%**
(46.8%)

Operating result, EUR mill.

↑ **-30.3**
(-42.0)

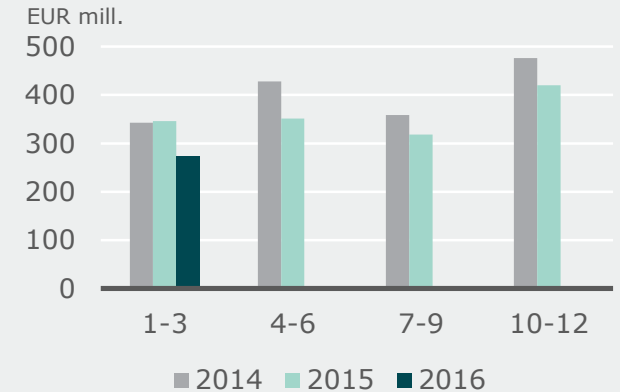
- Major steps in strategy implementation: key structural changes in non-core businesses are now made
 - Divestment of Russian department stores completed, reported as discontinued operations in Q1
 - Agreement signed for divesting Hobby Hall as of 1 January 2017, reported as part of Stockmann Retail segment in 2016 income statement
- Group's revenue down due to the timing of the Crazy Days campaign in Finland – growth in Real Estate and Lindex
- Gross margin continuously up
- Operating costs down by 32.9 million
- Operating result and result for the period improved
- Per Thelin stepped down as the CEO, Lauri Veijalainen appointed interim CEO as of 4 April 2016
- Outlook for the year remains unchanged



GROUP'S FINANCIAL PERFORMANCE IN Q1 2016

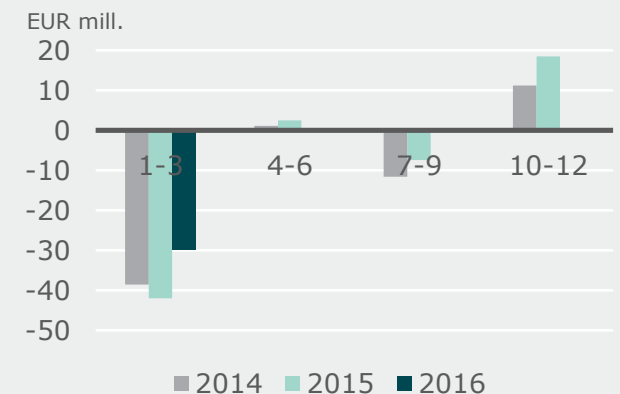
- **Revenue** EUR 273.1 million (EUR 345.8 million)
- **Gross margin** 50.2% (46.8%)
 - Withdrawal of low-margin product areas in Stockmann Retail
 - Timing of the Crazy Days campaign
 - Divestment of Seppälä
- **Operating costs** EUR 153.2 million (EUR 186.1 million)
 - 2015 comparison figure incl. Seppälä's operating costs approx. EUR 19 million
 - Effects from the efficiency programme gradually becoming visible
- **Depreciation** EUR 14.2 million (EUR 17.6 million)
 - Nevsky Centre no longer depreciated as an investment property
- **Operating result** EUR -30.3 million (EUR -42.0 million)
 - 2015 comparison figure incl. Seppälä's operating result EUR -12.1 million
 - Operating result up in Real Estate and Lindex, but down in Stockmann Retail
- **Result for the period** EUR -31.6 million (EUR -47.2 million)
- **Net result for the period** EUR -21.2 million (EUR -56.2 million)
 - Loss from the divestment of Russian department stores EUR 10.0 million smaller than earlier estimated (discontinued operations)

QUARTERLY REVENUE



QUARTERLY OPERATING RESULT

Excluding non-recurring items





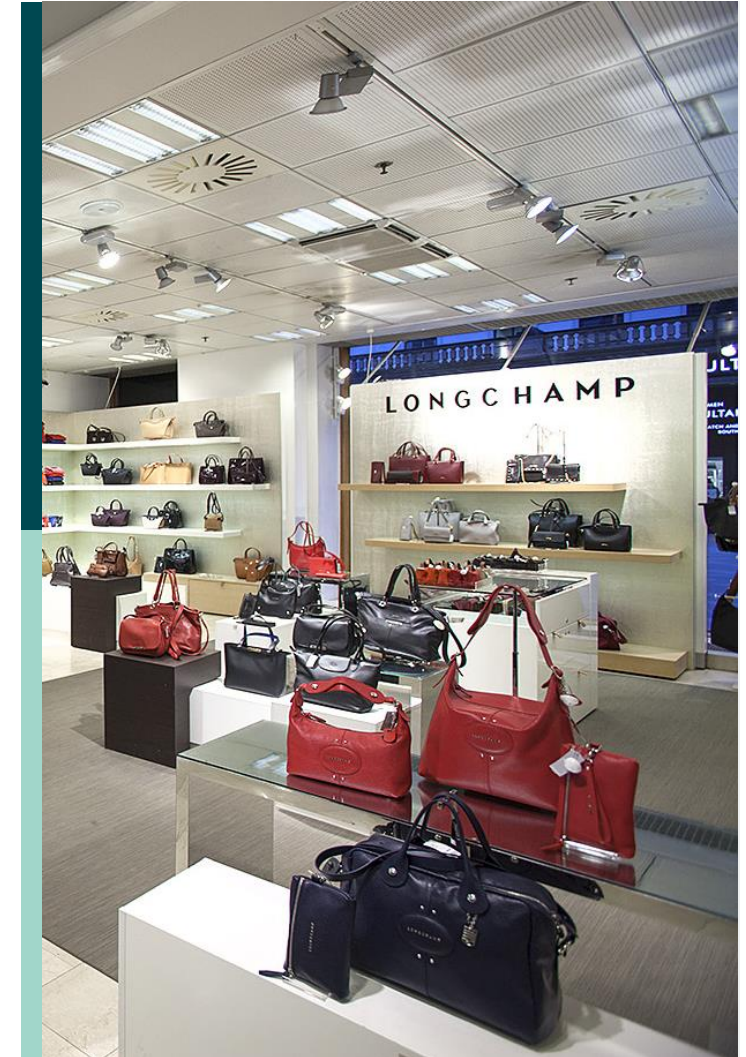
KEY FIGURES

		1-3/2016	1-3/2015	1-12/2015
Equity ratio	%	44.8	43.9	46.1
Gearing	%	81.6	84.6	72.1
Net financial costs	EUR mill.	4.3	4.1	21.2
Earnings per share, continuing operations, excluding NRI	EUR	-0.46	-0.66	-0.60
Net earnings per share, including discontinued operations	EUR	-0.31	-0.78	-2.43
Cash flow from operating activities	EUR mill.	-75.3	-65.2	17.2
Inventories	EUR mill.	203.4	257.1	170.8
Capital expenditure	EUR mill.	5.9	16.5	53.4
Depreciation	EUR mill.	14.2	17.6	71.9
Property, plant and equipment	EUR mill.	1 007.3	1 022.7	1 016.2
Balance sheet total	EUR mill.	2 286.9	2 406.9	2 273.9



MARKET ENVIRONMENT AND OUTLOOK FOR 2016

- Economic situation remains uncertain in **Finland**: slow GDP growth, low consumer purchasing power
- Relatively stable development expected in **Sweden, Norway** and the **Baltic** countries: somewhat higher GDP growth, competition increasing in the Baltics
- Weak outlook for **Russia** which may have a negative impact on rental income in Stockmann's Russian real estate operations
- Stockmann Group's **revenue** for 2016 is expected to be down on 2015 due to on-going strategic actions in order to improve profitability
- The **operating result** excluding non-recurring items is expected to be slightly positive in 2016.
 - **Capital expenditure** estimated to be approximately EUR 60-65 million which is on a par with the estimated depreciation for 2016



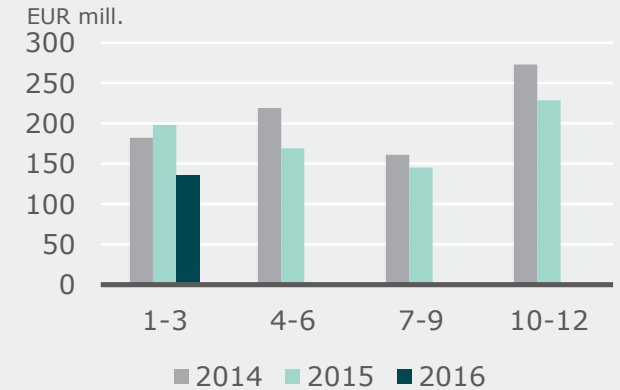
STOCKMANN RETAIL



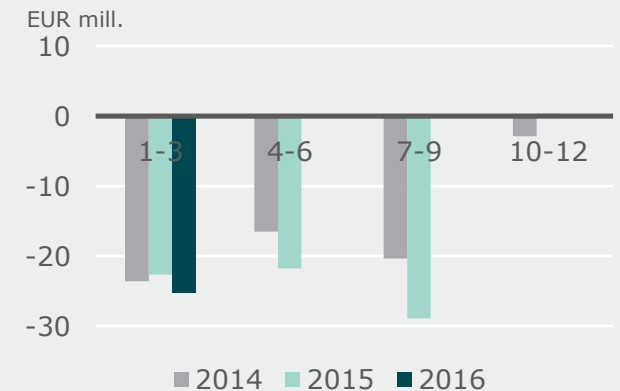
STOCKMANN RETAIL IN Q1 2016

- **Revenue** EUR 135.2 million (EUR 197.9 million)
 - Revenue down by 26.5% in continuing product areas
 - Decline was mostly due to the timing of the Crazy Days campaign
 - Weaker than expected sales in February, but good Paris campaign in March
- **Gross margin** 38.4% (35.8%)
 - Discontinuation of low-margin product areas in 2015
 - Timing of the Crazy Days campaign
- **Operating costs** EUR 73.4 million (EUR 82.9 million)
 - Decline due to the efficiency programme and timing of the Crazy Days campaign
- **Operating result** EUR -25.3 million (EUR -22.6 million)
 - Hobby Hall's operating result EUR -1.5 million (EUR -0.7 million)
- **Capital expenditure** EUR 2.0 million (EUR 10.4 million)
 - Stockmann online store, refurbishments in Helsinki flagship
- **Inventories** declined from 2015 due to discontinued product areas
 - Comparable inventories up due to timing of the Crazy Days campaign
- **Crazy Days** in April 2016: sales -3%, up in the online store but down in department stores; growth in fashion and cosmetics, decline in food

QUARTERLY REVENUE



QUARTERLY OPERATING RESULT





INVESTMENTS IN OMNICHANNEL SHOPPING

Focus on first-class customer experience in fashion, cosmetics, food and home products

Major changes in product areas are now completed. Releasing store space and actions for efficiency will continue.



Voice of the customer

- Customer feedback collected more systematically for enhanced shopping experiences
- 13 647 replies in face-to-face interviews and web surveys during Q1

Uusi Eeva-palvelu auttaa sinua tekemään toimistopäivistäsi jouhevampia ja hausکمپia. Eeva huolehtii yrityksesi aamiais-, lounas- ja palaveritarjoiluista sekä hankkii toivotut yrityslahjat ja lahjakortit. Ota yhteyttä ja kerro, kuinka voisimme olla avuksi jo tänään. Kehitämme Eeva-palvelua yhdessä asiakkaidemme kanssa.

Stockmann.com

- Revamped online store introduced during H2 2016
- B-to-B digital service pilot "Eeva" started in Q1
- Extending digital services (tablets for personnel, digital fitting rooms etc.)



Helsinki flagship

- 1st floor renovated from floor to ceiling: Women's accessories will open in Argos corner in August
- New brands, more space to cosmetics and fashion
- New Home department in 5th floor ready in June



NEW AND INSPIRING WOMEN'S ACCESSORIES DEPARTMENT



OPENING IN AUGUST 2016

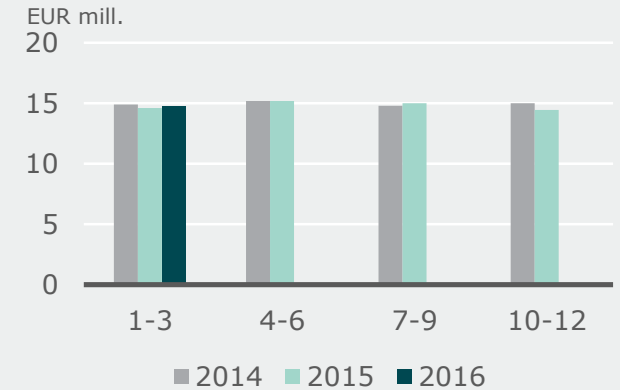
REAL ESTATE



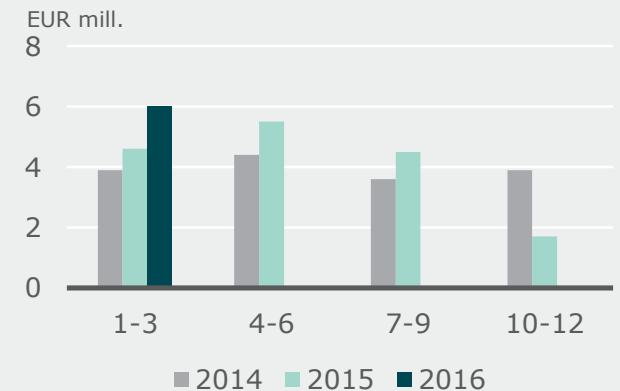
REAL ESTATE IN Q1 2016

- **Fair value** of the properties
 - 1 January 2016: EUR 918.2 million
 - 31 March 2016: EUR 914.0 million
 - Nevsky Centre treated as an investment property and not depreciated
- **Occupancy rate** 99.1% (99.0%)
- **Usage of GLA** in own properties: 53% by Stockmann Retail
 - Nevsky Centre 0%, department store properties 30-88%, average 78%
- **Net operating income** from own properties
EUR 12.1 million (EUR 11.8 million)
 - Net rental yield 5.3% (5.2%)
 - Average monthly rent EUR 32.62 per sqm (EUR 32.95)
- **Revenue** EUR 14.8 million (EUR 14.6 million)
- **Operating profit** EUR 6.0 million (EUR 4.6 million)
 - Depreciation down approx. EUR 1.5 million due to Nevsky Centre
- **Capital expenditure** EUR 0.4 million (EUR 0.1 million)

QUARTERLY REVENUE



QUARTERLY OPERATING RESULT





NEW EXPERIENCES TO STOCKMANN CUSTOMERS

- **Real Estate will continue to bring in attractive new tenants**
 - Complementing the Stockmann product and services selection in department stores in all markets
 - Focus on tenants offering experiences, new services and unique offerings to customers
- **XS Toys** in Riga (Q1)
 - Tallinn (Q3), Turku, Tampere, Jumbo and Itis (Q4)
- **Isku** in the Helsinki Book House building (Q2)
 - Including shop-in-shops: Värisilmä, Vallila, and Keittiömaailma in 2017
- **Gastrobar** in Helsinki flagship store (Q2)
- **Scandinavian Outdoor** and **HalTI** in Turku and Tampere (Q3)
- **Expert** will rebrand its stores in Helsinki, Turku and Tampere under a new concept **Power** (Q2)

ISKU



Värisilmä

VALLILA

KEITTIÖMAAILMA



HALTI

POWER

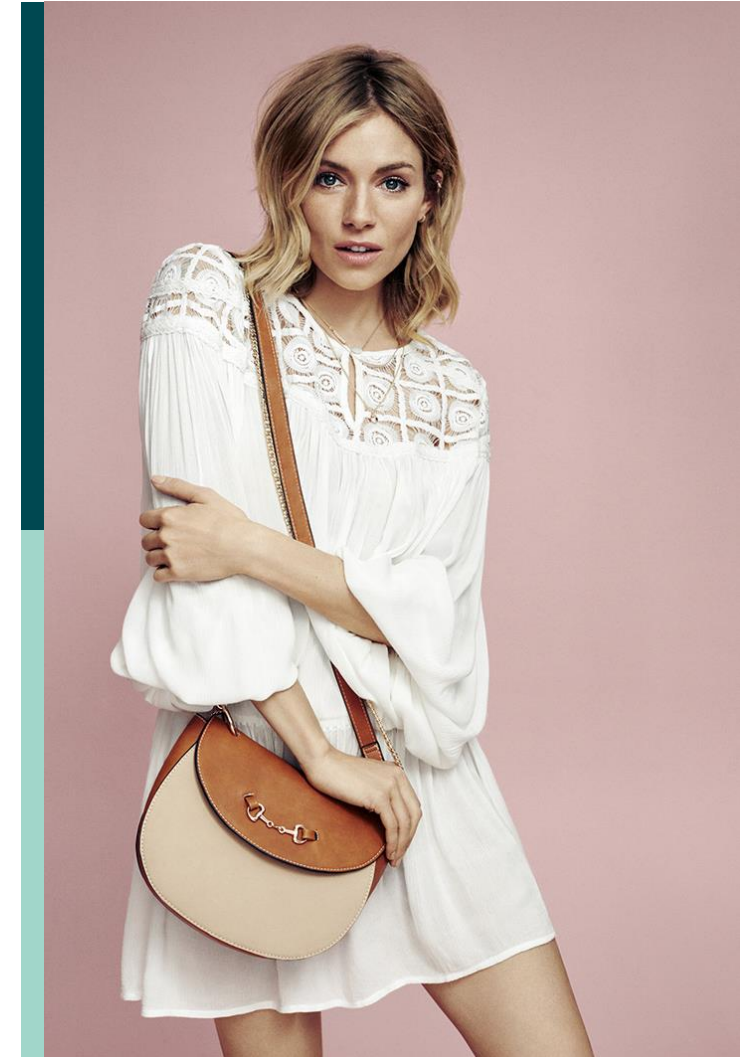


LINDEX



BUILDING A WORLD CLASS FASHION EXPERIENCE

- Successful campaigns
 - Launch of new communication concept: **We Make Fashion Feel Good**
 - Lindex customers as models in **Bra-volution** underwear campaign
 - Spring campaign with the famous model **Sienna Miller**
- Renewing collections
 - Launch of Holly & White **for kids**
 - Integration of **plus sizes** into all core concepts and phase out of 'Generous'
- Focus on enhanced digital shopping experience
 - Launch of a **shoppable Instragram** feed
 - Swish **mobile payment** introduced at lindex.com/se
 - Launch of **More at Lindex** in all countries, except Poland
- Sustainability
 - **Better Denim collection** introduced with sustainable cotton and more sustainable processes saving water, energy and chemicals
 - **Recycling** will be scaled up to all Nordic markets
- Ingvar Larsson won the Manager of the Year 2016 award in Sweden



INTERNATIONAL EXPANSION



- Store network on 31 March 2016:
 - **483 stores in 18 countries**, of which 39 franchising stores
 - 8 new stores opened in Q1 2016
 - 12 stores closed in Q1 2016, of which 7 in Russia
- **Target for 2016:**
 - Total number of stores to decline
 - The remaining 3 stores in Russia will be closed by mid May 2016

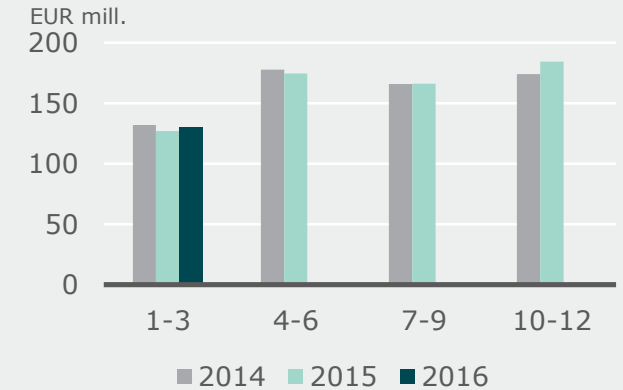


LINDEX IN Q1 2016

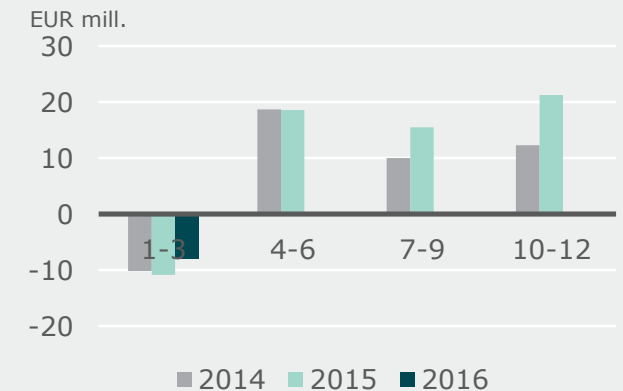
- **Revenue** up 2.5% to EUR 130.2 million (EUR 127.0 million)
 - At comparable exchange rates up 2.7%
 - Good development particularly in Sweden
 - Market share up in all Nordic countries
- **Gross margin** 58.4% (61.7%)
 - Increased markdowns compared with 2015: mid-season sale in Q1 instead of April in 2015 due to early Easter
- **Operating costs** down by EUR 4.2 million
 - Marketing costs decreased due to the timing of spring campaigns
 - Office costs decreased due to the efficiency programme
- **Operating result** EUR -8.5 million (EUR -10.8 million*)
- **Capital expenditure** EUR 3.5 million (EUR 5.8 million)
- **Inventories** slightly down on the previous year

* In Q1 2015 Fashion Chain's operating result was EUR -23.0 million, of which Lindex's operating result was EUR -10.8 million and Seppälä's operating result was EUR -12.1 million

QUARTERLY REVENUE



QUARTERLY OPERATING RESULT





HOBBY HALL



NEW STRONG FINNISH OWNER TO HOBBY HALL

- Hobby Hall has been a part of the Stockmann Group since 1985
- Defined as a non-core business during the Stockmann strategy work and process for finding a new owner started
- Business will be sold to the Finnish family-owned SGN Group
- Closing will take place on 31 December 2016 and the transfer of business on 1 January 2017
- Purchase price is not expected to have a significant effect on Stockmann's earnings
- Transaction will include Hobby Hall's entire assets, liabilities, business activities and personnel, excluding the logistics operations
- Logistics and related personnel will move to Posti Group as of 1 May 2016



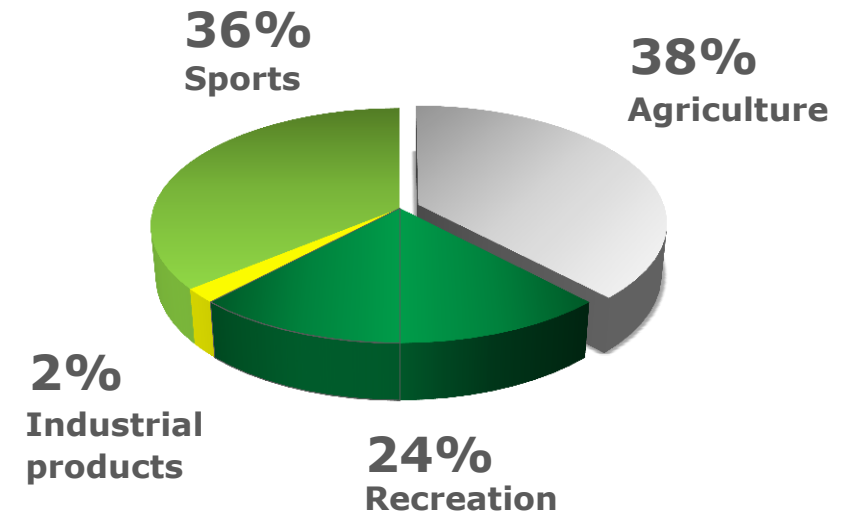
2015 key figures

- Revenue EUR 86 million
- Operating result EUR -5.7 million
- Personnel (year-end) 340, of which 130 in logistics



NEW OWNER 1.1.2017: SGN GROUP

- Finnish family-owned business founded in 1933
- Known for its strong, international brands, e.g. for sports and recreational goods, agriculture, industrial products
- Operates e.g. in Finland (67%), Sweden and Russia (33%)
- Revenue approx. EUR 154 million and the company employs 200 employees
- Profit after tax 2015: EUR 1 million
- Equity Ratio: 66% (EUR 51 million)



Agritek Oy
S.G. Nieminen Oy



Kessu Oy



SGN Sportia Oy
SGN Sportecom Oy
Team Sportia AB



SGN Tekniikka Oy
SSF Spraying Systems
Finland Oy



Sumeko Oy
OOOSumeko



Truebell
Finland Oy



SETTING UP A NEW GEAR FOR HOBBY HALL'S GROWTH

- SGN has actively searched for new businesses and opportunities for growth
 - Acquiring majority stake of Swedish Team Sportia sports equipment chain in 2014 and introducing Team Sportia chain into Finland: 6 branded stores to opened during April 2016, additional 20 later in 2016
- Hobby Hall is a great fit to the Group; many interfaces in leisure, sports and home product areas
- Finnish middle-sized family business offers efficiency and agility for promoting the growth
- Hobby Hall will carry on SGN Group's path into a multichannel business
- Hobby Hall is a well-known brand with a loyal and wide customer base, a popular online store and over 50 years' heritage from distance retail



We will become part of people's everyday life in all Finnish homes

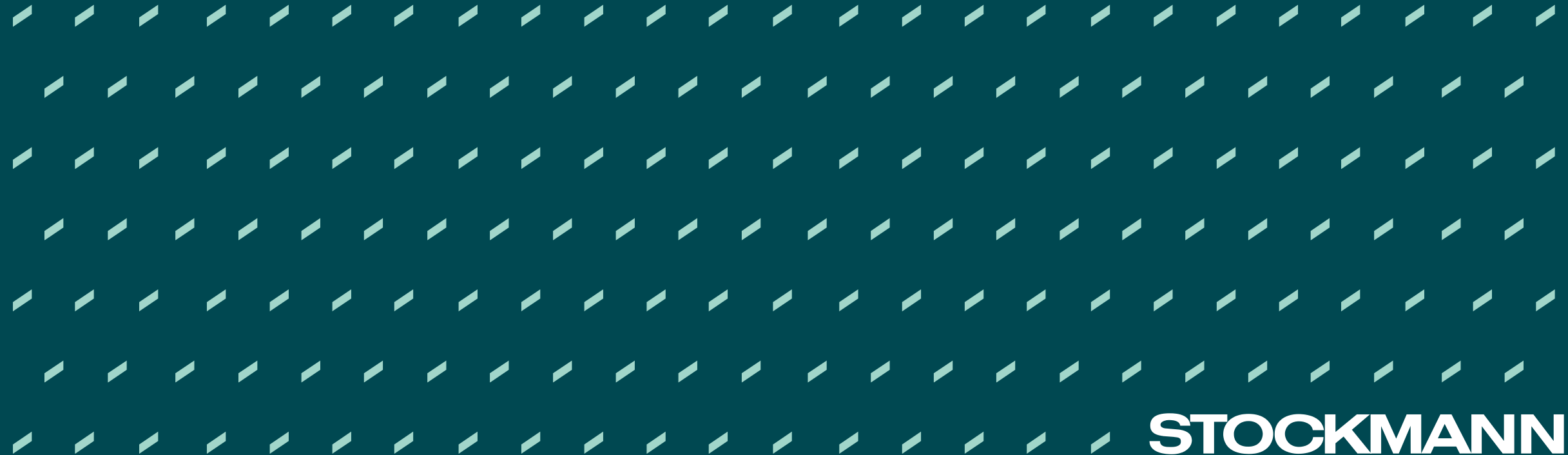


THANK YOU, HAPPY FIRST OF MAY!





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