



STOCKMANN

HALF YEAR FINANCIAL REPORT 2018

Stockmann Group | 16 August 2018



Q2 2018 IN BRIEF

Group's gross margin

↑ **58.2%**

(56.1)

Group's adjusted operating profit, EUR mill.

↑ **23.8**

(14.6)

Group's reported operating profit, EUR mill.

↑ **29.6**

(14.6)

- **Stockmann Group**

- Adjusted operating result up by EUR 9.3 million
- Strong performance at Lindex

- **Lindex**

- Comparable sales up 4.5%, gross margin up by 3.1 %-points
- Adjusted operating result up by EUR 8.3 million

- **Stockmann Retail**

- Revenue down, but gross margin remained on a good level
- Operating result down by EUR 1.0 million

- **Real Estate**

- Book House property in Helsinki sold in May with a capital gain of EUR 7.0 million
- Solid performance, several new restaurants opened during the quarter
- Investigations regarding a possible divestment of Nevsky Centre actively continue

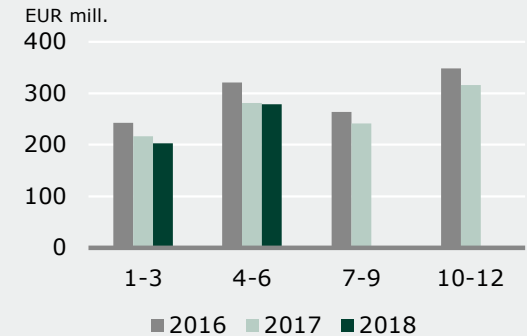


STOCKMANN GROUP, FINANCIAL PERFORMANCE* IN Q2 2018

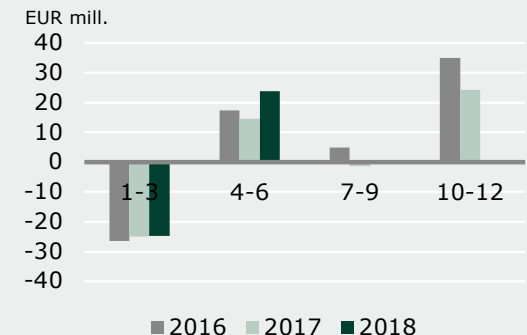
- **Revenue** down by 0.6%, to EUR 279.4 million (281.3)
 - Up in Lindex and Real Estate, down in Stockmann Retail
 - Weakened SEK exchange rate had a negative impact on the revenue
- **Gross margin** 58.2% (56.1%)
 - Up in Lindex due to successful, renewed collections
 - Slightly down in Stockmann Retail due to higher markdowns in the summer clearance sales
- **Operating costs** including adjustments EUR 125.0 million (128.4)
- **Adjusted EBITDA** EUR 37.7 million (29.5)
- **Depreciation** EUR 13.9 million (14.9)
- **Adjusted operating profit** EUR 23.8 million and reported operating profit EUR 29.6 million (14.6)
- **Result for the quarter** EUR 8.0 million (-1.1)

* 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

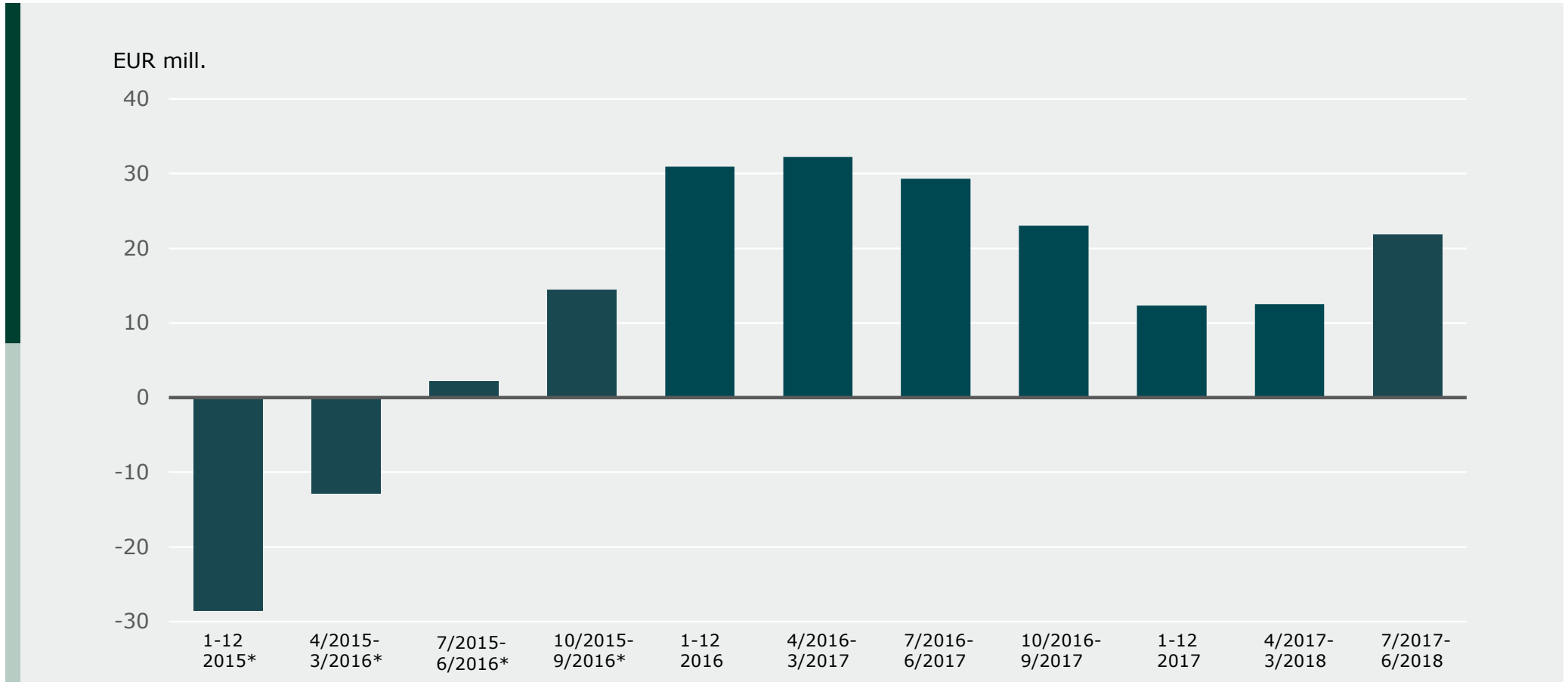


QUARTERLY OPERATING RESULT Adjusted





ROLLING 12-MONTH ADJUSTED OPERATING PROFIT (EBIT)





KEY FIGURES

		Q2/2018	Q2/2017	1-6/2018	1-6/2017	1-12/2017
Equity ratio	%			45.7	46.9	43.0
Net gearing	%			72.7	76.5	83.8
Net financial items*	EUR mill.	-8.8	-10.8**	-17.5	-15.4**	-31.1**
Result for the period*	EUR mill.	8.0	-1.1	-22.9	-28.0	-198.1***
Earnings per share*	EUR	0.09	-0.03	-0.35	-0.42	-2.82***
Cash flow from operating activities	EUR mill.	79.7	48.2	17.9	-29.9	25.9
Inventories	EUR mill.			149.6	166.2	162.2
Capital expenditure	EUR mill.	7.4	7.9	15.1	15.7	34.7
Depreciation, amortisation and impairment losses	EUR mill.	13.9	14.9	28.1	29.9	215.9***
Balance sheet total	EUR mill.			1 881.6	2 199.5	2 061.4

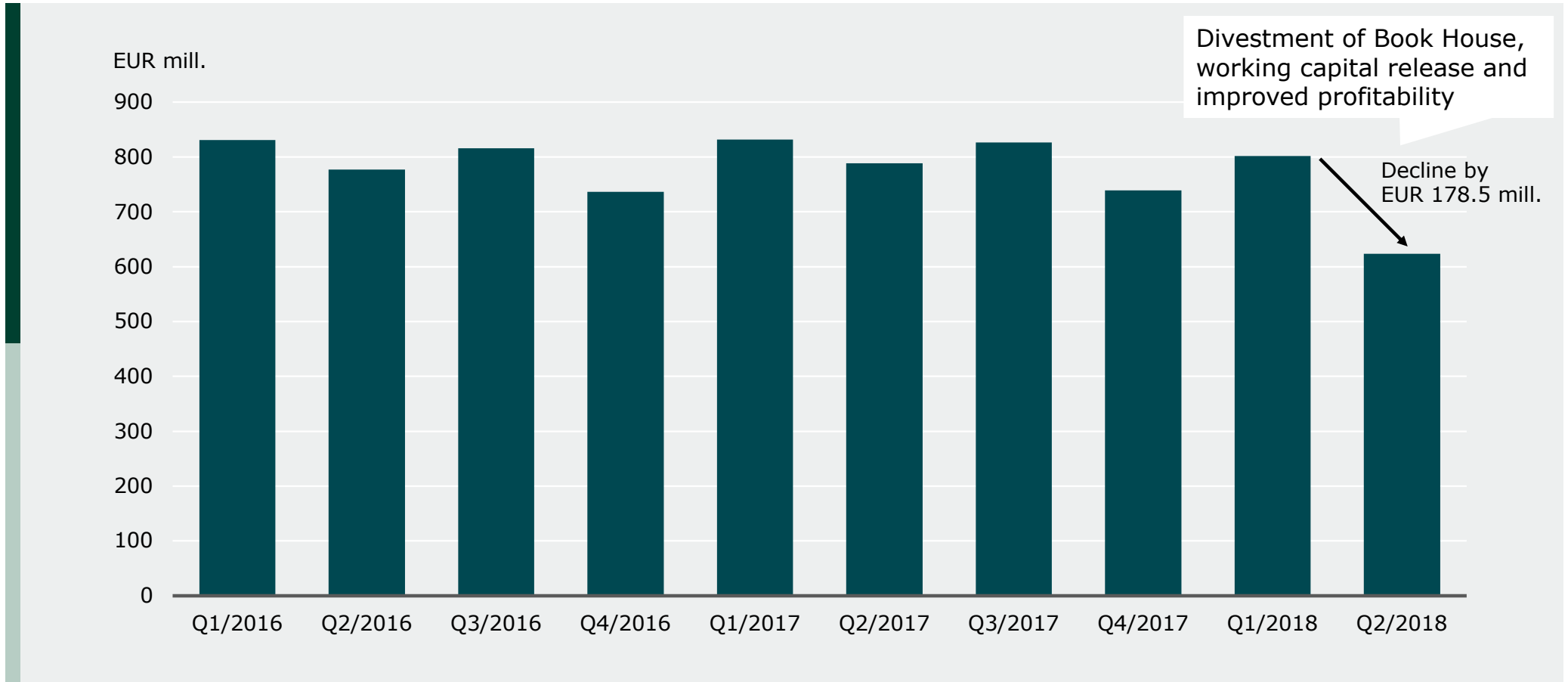
* Continuing operations.

** Includes a write-off of EUR 3.8 million related to Stockmann's investment in Tuko Logistics Cooperative (Q2 2017), EUR 2.0 million related to Seppälä (Q3 2017), EUR 1.5 million related to Hobby Hall (Q4 2017).

*** Includes an impairment of Lindex goodwill of EUR 150 million (Q3 2017).



NET DEBT CLEARLY DOWN IN Q2 2018



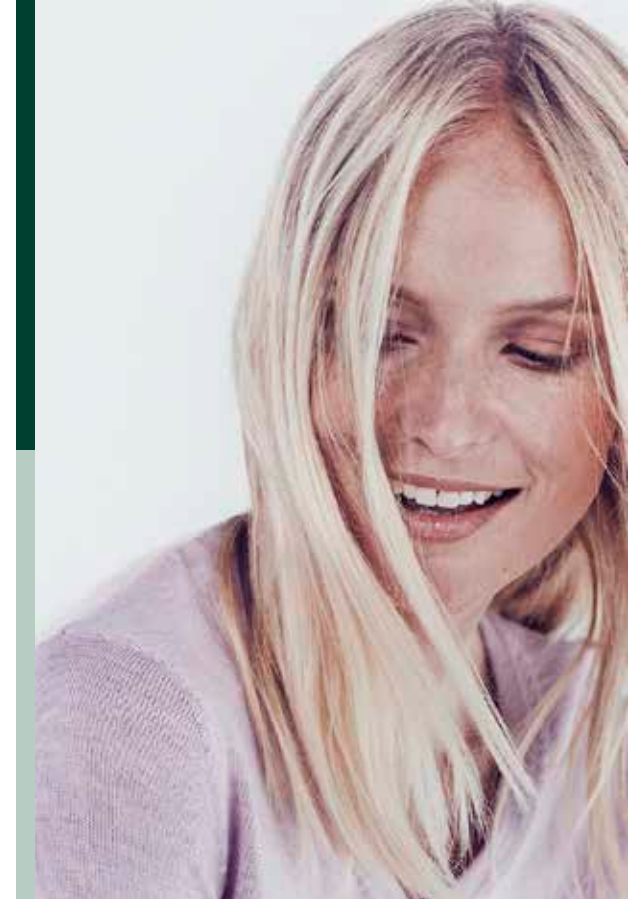


MARKET ENVIRONMENT AND OUTLOOK FOR 2018

- Good GDP development and consumer confidence expected to continue in **Finland** and **Sweden** in 2018
- Purchasing behaviour changing due to digitalisation and increasing competition, which affects the fashion market negatively
 - In the first half of 2018, fashion market in Finland -1.0% and in Sweden -2.0%
- In the **Baltic countries** good outlook for the retail trade expected to continue
- Efficiency measures implemented at Lindex and Stockmann, will be fully visible in the 2019 operating costs

Guidance for 2018 unchanged:

- The Group's revenue for 2018 expected to be on a par with the previous year. Adjusted operating profit expected to improve in 2018.



The background features several large, overlapping grey shapes. A thick, curved band sweeps from the top left towards the bottom right. A straight diagonal band runs from the bottom left towards the top right. These shapes create a dynamic, geometric pattern in shades of grey against a white background.

LINDEX



LINDEX, HIGHLIGHTS IN Q2 2018

- **Increased sales** in all markets and channels
 - Increased traffic, number of customers and average purchase
- Continued very strong sales development in the **online store**
- **Improved customer offer** having a positive impact on sales and gross margin development
- Strong **profitability improvement**
 - Profitability Programme reaching the savings target of over EUR 10 million by the end of 2018
- Good progress in restructuring the **store portfolio**
- Launch of a new communication concept **Sustainable Woman**
- Successful launch of the new **Kids Store concept** in Norway

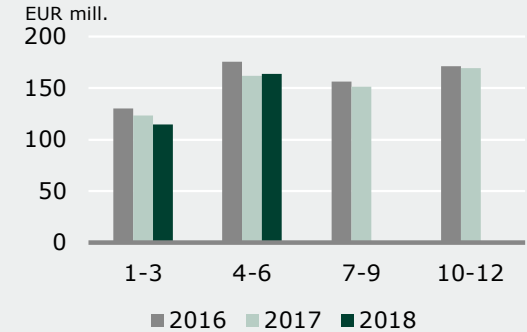




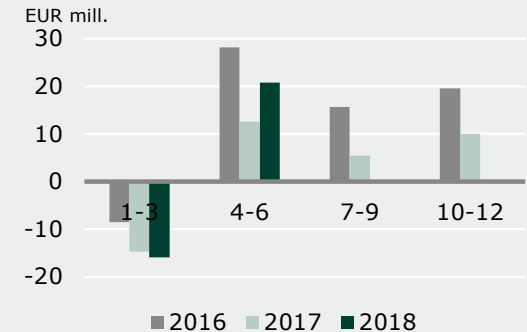
LINDEX, FINANCIAL PERFORMANCE IN Q2 2018

- **Revenue** up by 1.0% to EUR 163.8 million (162.1)
 - Same-store sales at comparable exchange rate up by 4.5%
 - Growth in all markets
- **Gross margin** 63.7% (60.6%)
 - Up due to decreased markdowns
- **Operating costs** including adjustments down by EUR 2.1 million
- **Adjusted operating result** EUR 20.8 million and reported operating result EUR 19.6 million (12.6)

QUARTERLY REVENUE

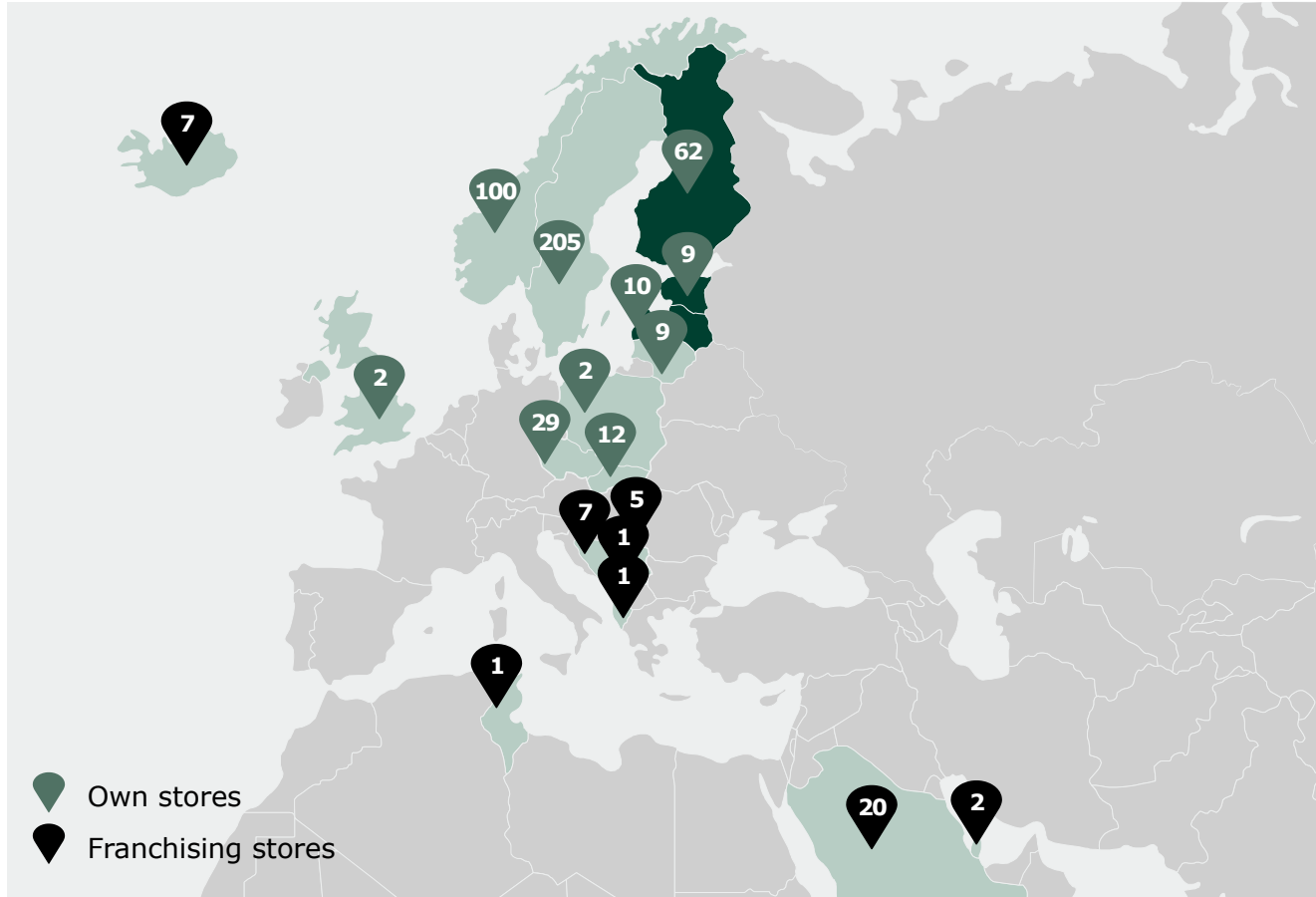


QUARTERLY OPERATING RESULT Adjusted





LINDEX STORE NETWORK



- **Store network on 30 June 2018**

- 484 stores in 18 countries, of which 44 franchising stores
- 6 stores opened and 8 closed in Q2 2018

- **Stores & markets in 2018**

- Focus on optimising store locations
- Unprofitable stores will either move to new locations or close down
- Some new store openings in attractive locations will be opened

- **Total number of stores at year-end**

- Estimated to decrease by over 20 stores



LINDEX WAY FORWARD

- **Profitability improvement program** proceeding with full speed
 - Continuing to reduce costs and increase the gross margin
 - Strong focus on sales and profit improvement
- Continued focus on **optimising the store concept portfolio**
- Increased focus and investments in the **e-commerce**
- Strong and inspiring **autumn collections and campaigns**
- Strengthening the **customer interaction** further
 - “Customer First” sales programme
- **New CEO** Susanne Ehnåge started on 10 August 2018
 - Elisabeth Peregi to continue as Country Manager for Sweden



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STOCKMANN RETAIL



STOCKMANN RETAIL, HIGHLIGHTS IN Q2 2018

- Successful **Crazy Days campaign** in April
- Growth in both non-food and food sales in the department stores in **Tallinn and Riga**
- **Inventories on a healthy level** due to improved inventory management process
 - Smaller summer clearance sales than in 2017
- **New brands and services** introduced at the stores
 - Svenskt Tenn pop-up store in Helsinki
 - Travel information point for City of Helsinki
 - Exclusive ticket sales point for National Opera
 - New brands such as Jo Malone, Byredo, Champion, Deha and Karl Lagerfeld
- **New sales staff roles into use in Finnish department stores**
 - Sales people evolving into personal shoppers
 - Centralised cashier points securing convenience in payment





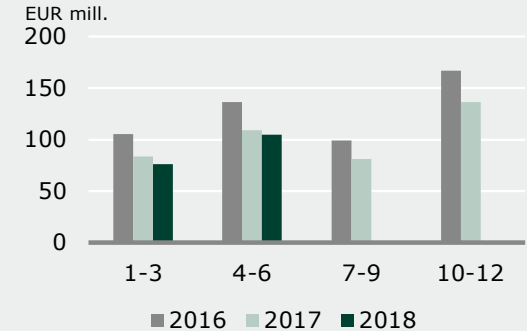
STOCKMANN RETAIL, FINANCIAL PERFORMANCE* IN Q2 2018

- **Revenue** EUR 104.7 million (109.1)
 - Revenue down by 4.0%
 - Smaller summer clearance sales than in 2017
- **Gross margin** 45.4% (45.8)
 - Down due to timing of discounts in the clearance sales
- **Operating costs** down by EUR 0.9 million
 - Savings in the support functions, though rental costs continued to increase
- **Operating result** EUR -3.6 million (-2.6, or -6.9 including Delicatessen in Finland)

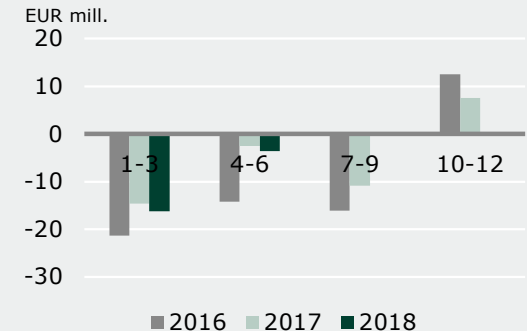
* *Continuing operations*

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QUARTERLY REVENUE



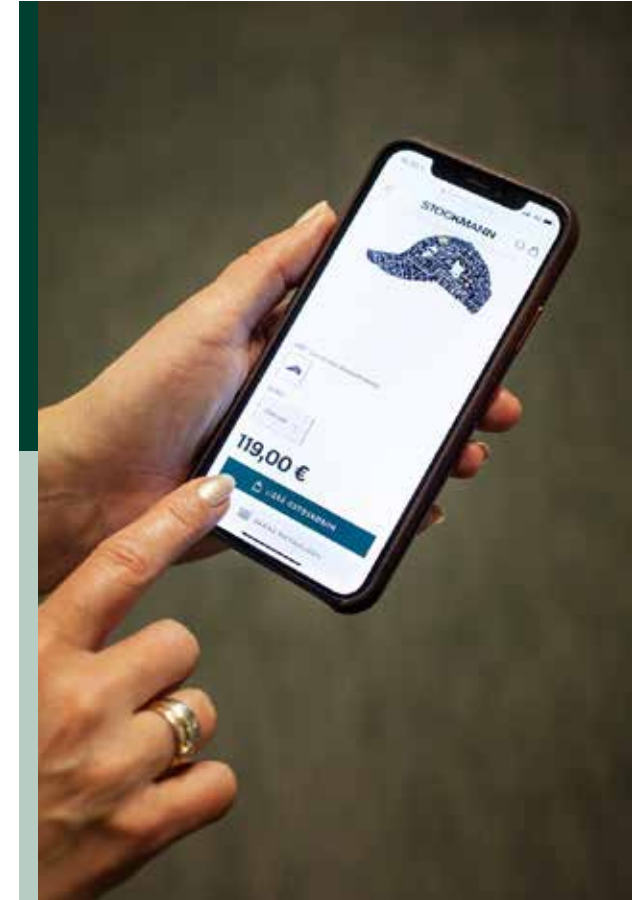
QUARTERLY OPERATING RESULT Adjusted





STRONG FOCUS ON DIGITAL DEVELOPMENT

- Online is Stockmann's **fastest growing** sales channel
- **56% growth in selection buyable at stockmann.com**
 - Now 60 000 product items (8/2017: 39 000)
 - Target to significantly increase the number by the end of 2018
- **Quicker delivery times** and new delivery partners
 - Now over 2000 pick-up points (Matkahuolto, Posti and Schenker)
 - Click & Collect in department stores
 - 70% of stockmann.com orders sent within 24 hours
- **Reserve & Collect service** in all department stores in Finland
 - **95% of selection** in Helsinki flagship can already be reserved (8/2017: 60%)
- Investments in **omnichannel** continue to strengthen competitiveness
 - Increased resources in selected digital areas
 - Stockmann's ICT and Marketing & Digitalisation merged in June
- Goal is a **seamless premium shopping experience**



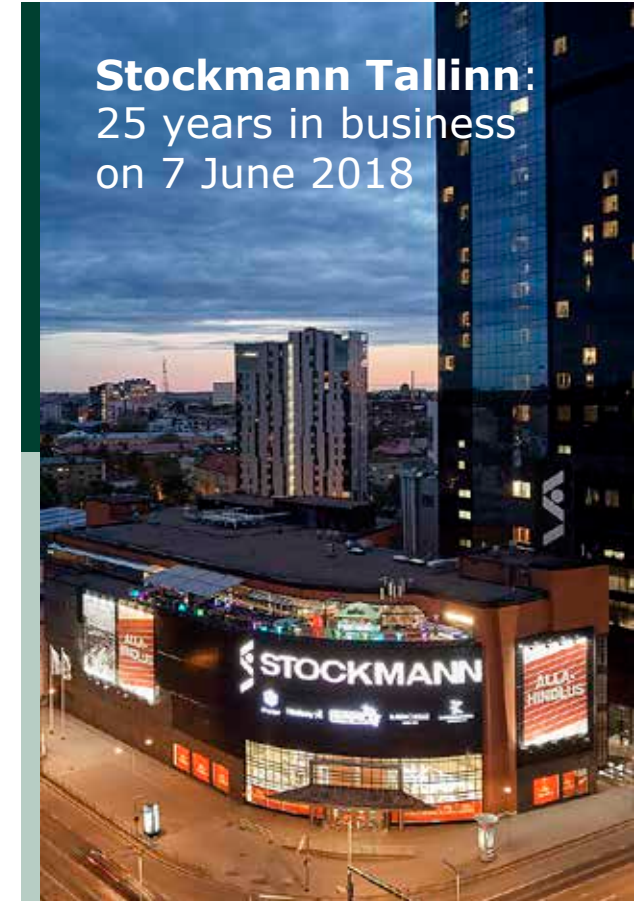
The background features a minimalist design with several grey geometric shapes. A large, curved grey shape starts from the top left and extends towards the right side. Another grey shape is located in the bottom left corner, forming a triangular shape. The text 'REAL ESTATE' is centered in the white space between these shapes.

REAL ESTATE



REAL ESTATE, HIGHLIGHTS IN Q2 2018

- Increased **revenue** and **operating profit**
 - Continued stable performance
- The **Book House property** in Helsinki sold in May 2018
 - Sales price: EUR 108.6 million
 - Capital gain from the divestment: EUR 7.0 million
 - Buyer: AEW Europe City Retail Fund
 - GLA: 8 861 m²
- **New restaurants and cafés** opened to improve the shopping experience
 - Helsinki: Ooh La Laa, Comptoir Farouge, Hanko Sushi, Pupu and the enlargement of Stockmann Roof by Teatteri
 - Turku: Powau café
 - Tampere: Hanko Sushi
- Investigation related to a possible divestment of **Nevsky Centre** in St. Petersburg has actively continued
- **Elena Stenholm** appointed as new Director, Real Estate. She will join Stockmann by the end of the year.

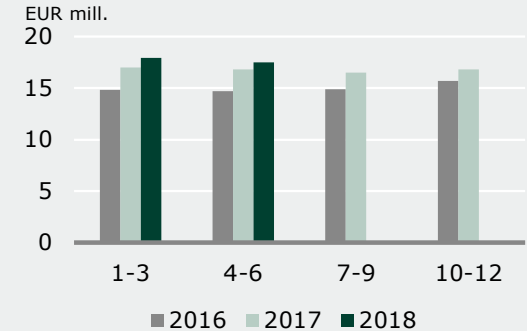




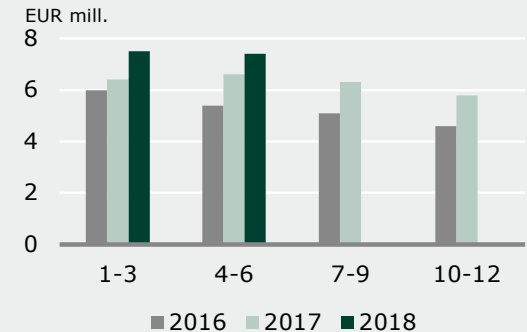
REAL ESTATE, FINANCIAL PERFORMANCE IN Q2 2018

- **Revenue** EUR 17.5 million (16.8)
 - Higher rent levels in all markets
- **Net operating income** from own properties EUR 12.9 million (12.9)
 - Average monthly rent EUR 38.58 per sqm (37.39)
 - Net rental yield in January–June 5.5% (5.5%)
- **Occupancy rate** of own properties 99.4% (99.6%)
- A **capital gain** of EUR 7 million from the sale of the Book House
- **Adjusted operating result** EUR 7.4 million and the reported operating result EUR 14.3 million (6.6)

QUARTERLY REVENUE



QUARTERLY OPERATING RESULT Adjusted





REAL ESTATE, STOCKMANN-OWNED PROPERTIES

Key figures

30.6.2018

Gross leasable area (GLA) 134 000 sqm, of which 38% in Finland

Occupancy rate 99.4%



Helsinki department store

Occupancy rate 99.8

GLA 51 000

Usage by Retail 67%



Tallinn department store

Occupancy rate 98.0

GLA 22 000

Usage by Retail 82%



Riga department store

Occupancy rate 100.0

GLA 15 000

Usage by Retail 86%



Nevsky Centre, St Petersburg

Occupancy rate 99.6

GLA 46 000

Usage by Retail 0%

Fair value of properties

30.6.2018, EUR million

863.3

- Department store properties
EUR 682.3 million
- Nevsky Centre
EUR 181.0 million

Usage by Stockmann Retail

30.6.2018

- 73% in department store properties: Helsinki, Tallinn, Riga
- 48% in all own properties

Q&A





STOCKMANN

FURTHER INFORMATION

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