



INTERIM REPORT Q3 2017

Stockmann Group | 27 October 2017

STOCKMANN



Q3 2017 IN BRIEF

Group's gross margin

56.2%

(56.6)

**Group's adjusted
operating result, EUR mill.**

-1.4

(4.8)

**Retail's operating result,
EUR mill.**

-10.8

(-13.9, excl. Hobby Hall)

- **Stockmann Group**

- Continuously improved performance in Stockmann Retail and Real Estate
- Impairment of EUR 150 million in Lindex goodwill
- Investigation of the sale of Stockmann Delicatessen in Finland on-going in the Competition and Consumer Authority

- **Lindex**

- Operating profit down by EUR 10.2 million
- Profitability improvement programme starts at Lindex

- **Stockmann Retail**

- Operating result up by EUR 5.3 million, or EUR 3.1 million excluding Hobby Hall
- Increased revenue both in Finland and in the Baltics

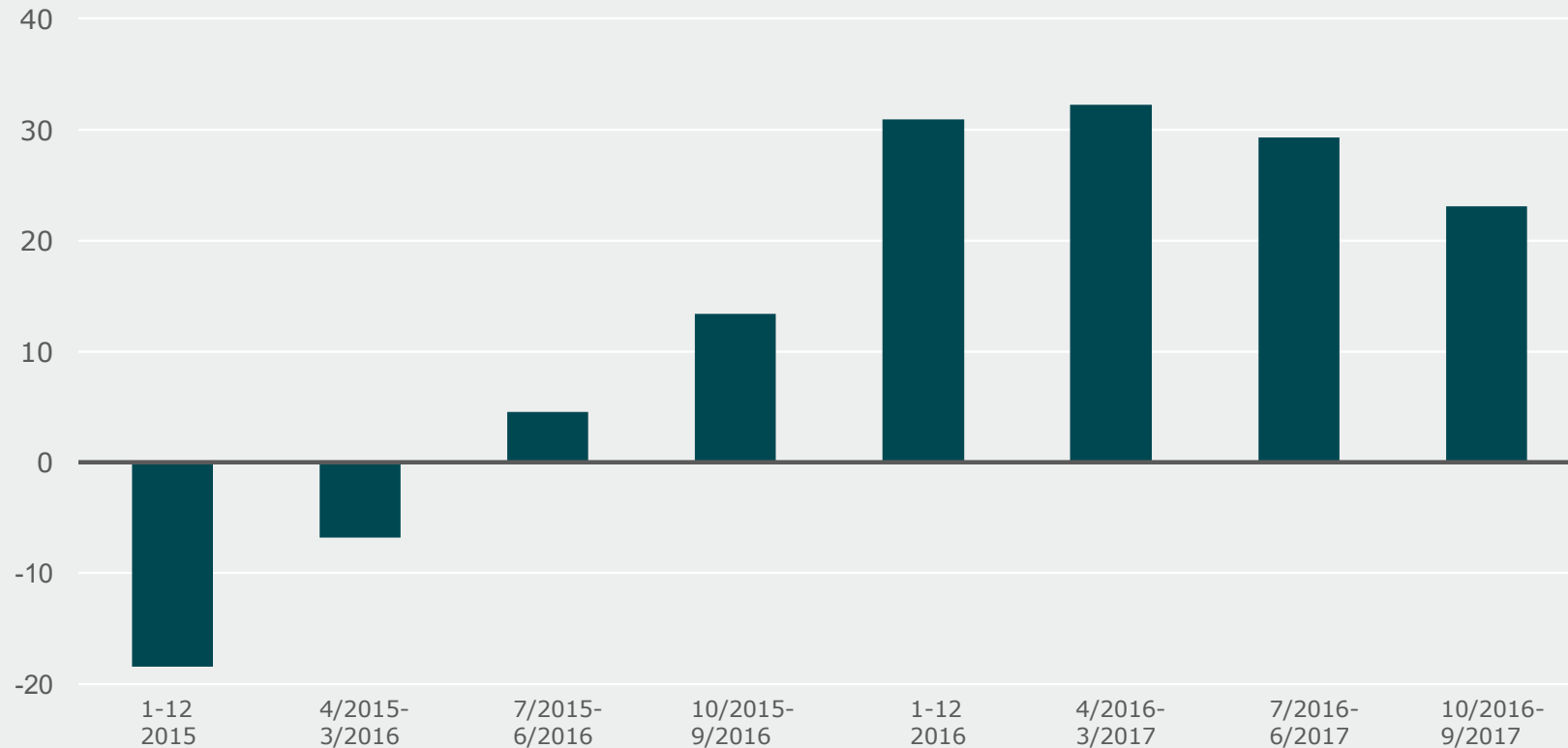
- **Real Estate**

- Operating profit up by EUR 1.2 million
- Investigation related to the divestment of Nevsky Centre is on-going



OPERATING RESULT DURING THE STRATEGY PERIOD

Stockmann Group, rolling 12-month adjusted operating profit (EBIT)





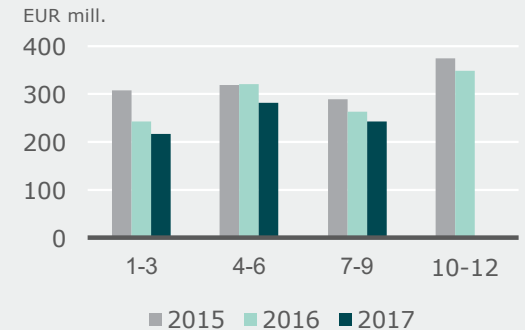
STOCKMANN GROUP, FINANCIAL PERFORMANCE* IN Q3 2017

- **Revenue** EUR 242.0 million (263.9)
 - Revenue on a par with the previous year in comparable businesses
- **Gross margin** 56.2% (56.6%)
 - Up in Stockmann Retail due to the divestment of Hobby Hall and down in Lindex
- **Operating costs** EUR 122.0 million (131.2)
 - Down by EUR 9.2 million due to lower personnel and other costs
- **EBITDA** EUR 14.0 million (18.9)
- **Depreciation** EUR 15.5 million (14.1)
- **Adjusted operating result** EUR -1.4 million (4.8)
 - Increased operating result in Stockmann Retail and Real Estate
- **Reported operating result** EUR -151.4 million (4.8)
 - Impairment charge of EUR 150 million in Lindex's goodwill

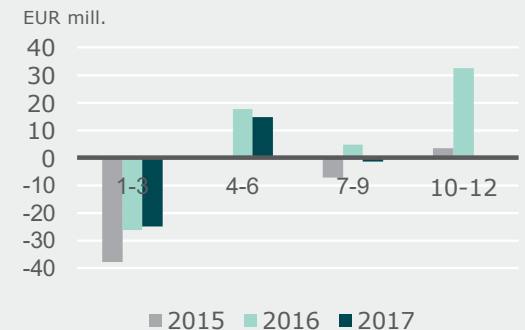
* *Continuing operations*

Delicatessen in Finland is classified as asset held for sale and reported as discontinued operations, and therefore not included in the presented figures.

QUARTERLY REVENUE



QUARTERLY OPERATING RESULT Adjusted





KEY FIGURES

| | | Q3/2017 | Q3/2016 | 1-9/2017 | 1-9/2016 | 1-12/2016 |
|--|-----------|---------------|---------|----------------|----------|-----------|
| Equity ratio | % | | | 41.9 | 45.4 | 48.3 |
| Gearing | % | | | 95.0 | 80.8 | 68.3 |
| Net financial items* | EUR mill. | -4.8 | -5.0 | -20.1** | -14.0 | -23.1 |
| Result for the period* | EUR mill. | -158.0 | -5.4 | -186.0 | -28.4 | -7.5 |
| Earnings per share* | EUR | -2.21 | -0.09 | -2.64 | -0.45 | -0.18 |
| Net earnings per share, including discontinued operations | EUR | -2.25 | -0.12 | -2.78 | -0.47 | -0.12 |
| Cash flow from operating activities | EUR mill. | -29.9 | -33.7 | -59.7 | -54.6 | 41.5 |
| Inventories | EUR mill. | | | 204.6 | 205.4 | 180.7 |
| Capital expenditure | EUR mill. | 8.5 | 10.1 | 24.2 | 29.6 | 44.2 |
| Depreciation | EUR mill. | 15.5 | 14.1 | 45.4 | 42.1 | 57.3 |
| Property, plant and equipment | EUR mill. | | | 1 018.7 | 998.6 | 1 045.9 |
| Balance sheet total | EUR mill. | | | 2 082.0 | 2 234.7 | 2 241.2 |

* Continuing operations.

** Includes a write-off of EUR 3.8 million related to Tuko Logistics Cooperative in Q2 2017, and a write-off of EUR 2 million related to Seppälä in Q3 2017.



MARKET ENVIRONMENT AND OUTLOOK FOR 2017

- **Market environment**

- In **Finland**, economy has begun to recover, but consumers' purchasing power is not expected to increase and purchasing behaviour is changing
- In **Sweden**, fashion market expected to decline in 2017
- In the **Baltics**, outlook better than for the other market areas
- In **Russia**, economy expected to recover gradually

- **Stockmann Group's operating result**

- Improvements to come mainly from **Stockmann Retail**
- **Real Estate** expected to continue its stable profitable performance
- **Lindex** operating profit will be clearly down on the previous year's record-high earnings

Guidance for 2017 remains unchanged (published 26.9.2017)

- Stockmann expects the Group's revenue for 2017 to decline due to weaker sales development of Lindex, and changes in the store network and product mix
- Adjusted operating profit in continuing operations is expected to be approximately on a par with or slightly weaker than in 2016



LINDEX



LINDEX, HIGHLIGHTS IN Q3 2017

- **Total sales** declined, though growth outside of the Nordic market
- Short term actions initiated with focus to **secure sales in Q4**
- **Efficiency analysis** for improved profitability concluded
- Successful launch of the **Pants solution** concept – easier than ever to find the right trousers
- Release of **Smart shopping app** to further strengthen the omnichannel position
- Successful rollout of **My Store**, iPads in stores for increased efficiency
- Two new franchise markets: **Tunisia** and **Qatar**

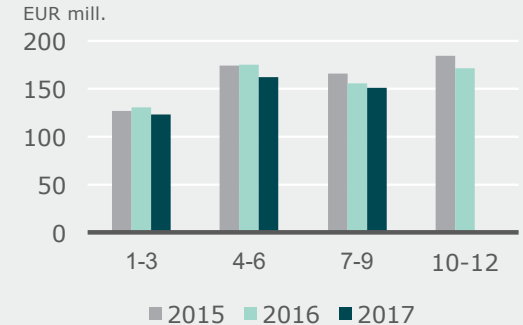




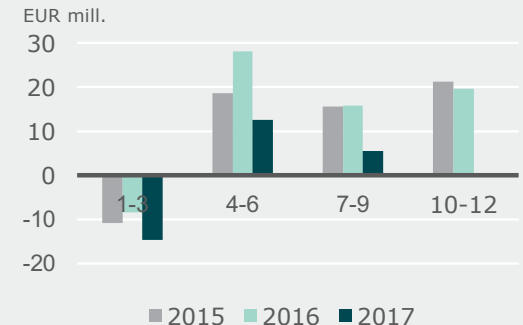
LINDEX, FINANCIAL PERFORMANCE IN Q3 2017

- **Revenue** down 3.2% to EUR 151.1 million (156.1)
 - Comparable store sales -3.0% due to decrease in the Nordic countries and Estonia
- **Gross margin** 59.9% (63.7%)
 - Higher markdowns than in the previous year
 - Redefined treatment of inventory obsolescence improved the 2016 comparison figure
- **Operating costs** up EUR 0.9 million
 - Slightly up due to increased fixed costs
- **Operating profit** EUR 5.5 million (15.7)
 - Down due to lower sales and gross margin
- **Impairment** of EUR 150 million related to Lindex's goodwill
 - Reported as a separate item in the Group's Q3 segment information

QUARTERLY REVENUE



QUARTERLY OPERATING RESULT





INTERNATIONAL EXPANSION



- **Store network**
on 30 September 2017
 - 482 stores in 18 countries, of which 45 franchising stores
 - 6 stores opened and 2 closed in Q3 2017
 - Two new franchising markets: **Tunisia and Qatar**
 - Launch of e-commerce in **Iceland**
- **New stores & markets in 2017**
 - Over 15 new own stores in 2017
 - Certain loss-making stores closed during the year
 - Total number of stores at year-end approx. 490



LINDEX PROFITABILITY IMPROVEMENT PROGRAMME

INCREASING SALES

- Improve collections
 - Adjust assortment strategy
 - Shorten time from design to store
 - Secure the basic selection
 - Reduce stock-outs
- Marketing & digitalisation
 - Prioritise digital expansion
 - Increase share of digital marketing in media spend

IMPROVING PROFITABILITY

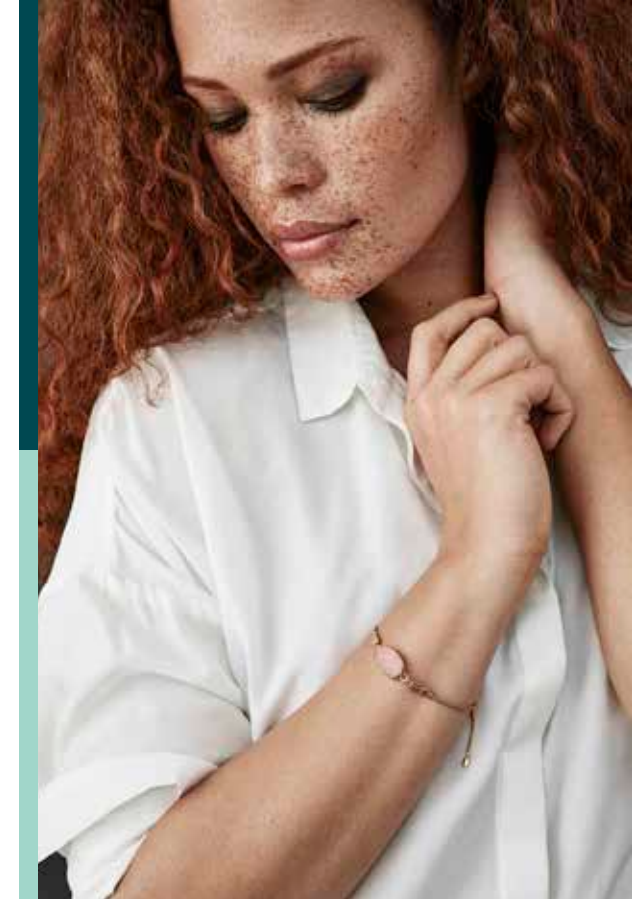
- Increase gross profit
 - Decrease clearance markdowns due to improvements in the offering
 - Increase efficiency in store operations
- Annual fixed cost savings of over EUR 10 million*
 - Actions in the headquarters, Nordic back-office organisations and the distribution centre
 - Personnel reductions mainly in the headquarters in Gothenburg
 - A provision of EUR 3 million to be booked in Q4 2017
 - Efficiency target to be achieved by the end of 2018

*Based on the current EUR/SEK currency exchange rate



LINDEX WAY FORWARD

- Implementing the **Profitability Improvement Program**
- Important **Pink Ribbon Campaign** for the fight against breast cancer – 15th year in a row
- Launch of new **Even Better Denim** styles, more sustainable than ever
- Securing the assortment and marketing to optimise **Christmas sales**
- Development of **new store formats and concepts**
- Continuing investments in **digital business and e-commerce**



STOCKMANN RETAIL



STOCKMANN RETAIL, HIGHLIGHTS IN Q3 2017

- **Revenue** in comparable business up 4.6%
 - Revenue grew in all department stores
 - Strongest growth in Itis, Tallinn and Riga
 - Best performance in fashion merchandise area
- **Successful campaigns**
 - Summer sale in July
 - Beauty Days and Back to Business in August
 - Loyal Customer Day in Tapiola and Tallinn in September
 - CASA Stockmann participation in Habitare fair in September
- **Stockmann Magazine**
 - Brand new lifestyle magazine available in Finnish and Swedish
 - Distributed in the department stores during the fashion campaign weeks
- Sale of the Finnish **Stockmann Delicatessen** to S Group
 - Investigation of the transaction on-going in the Finnish Competition and Consumer Authority (FCCA)
 - Decision expected by 18 December 2017





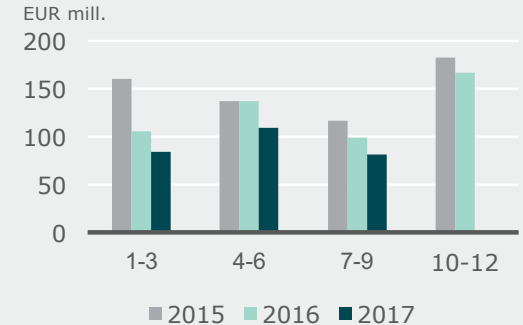
STOCKMANN RETAIL, FINANCIAL PERFORMANCE* IN Q3 2017

- **Revenue** EUR 81.2 million (99.2)
 - Revenue in comparable businesses up 4.6%
 - Finland up 3.9% and Baltics up 6.9%
- **Gross margin** 44.2% (44.3 or 41.9 incl. Hobby Hall)
- **Operating costs** EUR 43.0 million (47.6 or 54.6 incl. Hobby Hall)
 - Decline was due to the efficiency measures initiated in 2016
- **Operating result** EUR -10.8 million (-13.9 or -16.1 incl. Hobby Hall)

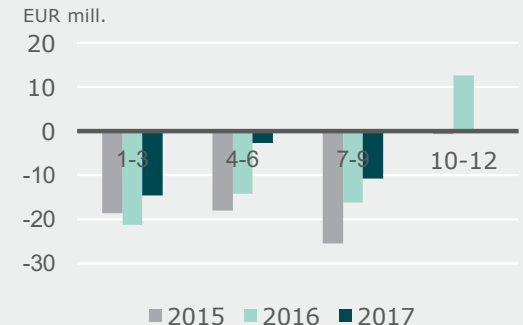
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QUARTERLY REVENUE



QUARTERLY OPERATING RESULT Adjusted





INCREASED FASHION SALES IN Q3





Hullut Päivät Galna Dagar

- **Crazy Days key facts**

- Campaign held on
11-15 October 2017
in Finland, Estonia and Latvia
- Eight department stores and the
online store hullutpaivat.com

- **Campaign sales**

- Total sales: **+2%**
- Finland: **+1%**
- Tallinn and Riga: **+6%**

Hullutpaivat.com

is Stockmann's
second largest store
during the Crazy Days
campaign

+25%

Sales in the online store

1.2 million

sales transactions (receipts)
in brick-and-mortar stores

60 000

Online store orders



2 million
campaign products
in all markets

PLASTIC BAG CONSUMPTION

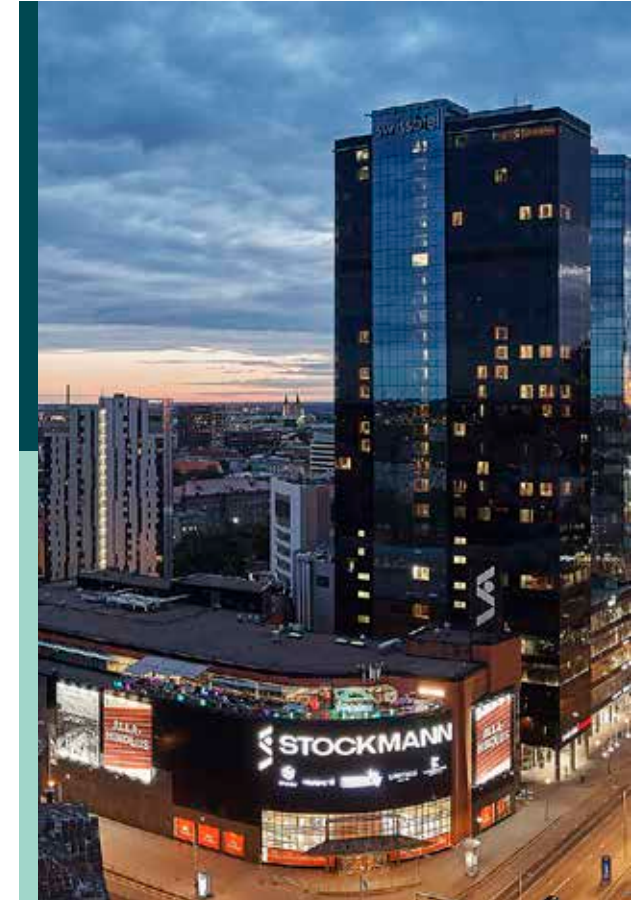
-50%

REAL ESTATE



REAL ESTATE, HIGHLIGHTS IN Q3 2017

- Increased **revenue** and **operating profit**
 - Stable performance
 - Improvements particularly in Russia due to higher rental income from **Nevsky Centre**
- **Partners** offer new experiences to customers in the stores
 - XS Toys to start as a new toy store tenant in Helsinki flagship
 - AT Lastenturva opened a baby equipment shop in Helsinki flagship
 - Hoivanet a new partner offering child care services in Helsinki
 - First Espresso House café in Tampere will open at Stockmann early 2018
- Investigation into the divestment of **Nevsky Centre** is on-going

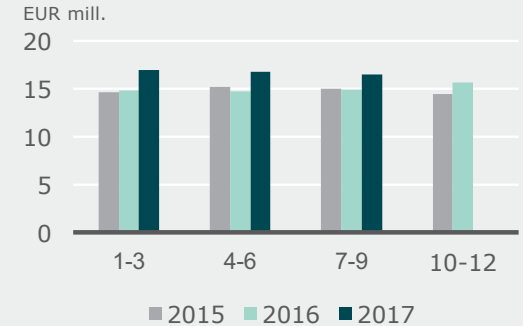




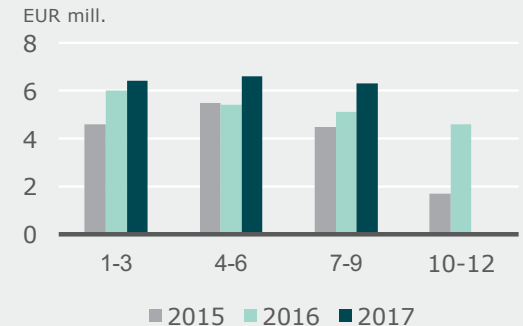
REAL ESTATE, FINANCIAL PERFORMANCE IN Q3 2017

- **Occupancy rate** of own properties 99.5% (98.9%)
- **Net operating income** from own properties EUR 12.6 million (10.9)
 - Average monthly rent EUR 36.6 per sqm (32.9)
 - Net rental yield in January–September 5.4% (4.9%)
- **Revenue** EUR 16.5 million (14.9)
 - Higher rental income from Nevsky Centre
- **Operating costs** on a par with the previous year
- **Operating profit** EUR 6.3 million (5.1)

QUARTERLY REVENUE



QUARTERLY OPERATING RESULT





REAL ESTATE, STOCKMANN-OWNED PROPERTIES

Key figures

30.9.2017

Gross leasable area (GLA) 142 000 sqm, of which 42% in Finland

Occupancy rate 99.5%



Helsinki flagship building
Occupancy rate 99.8
GLA 51 000
Usage by Retail 76% (68*)



Book House, Helsinki
Occupancy rate 100.0
GLA 9 000
Usage by Retail 30% (6*)



Tallinn department store building
Occupancy rate 100.0
GLA 22 000
Usage by Retail 84%



Riga department store building
Occupancy rate 100.0
GLA 15 000
Usage by Retail 86%



Nevsky Centre, St Petersburg
Occupancy rate 98.6
GLA 46 000
Usage by Retail 0%

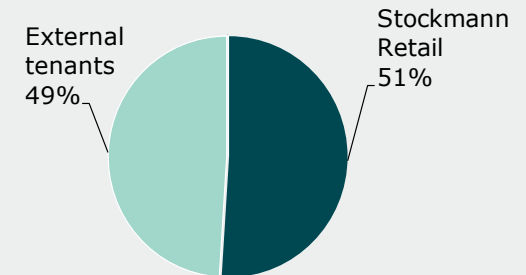
* When the Delicatessen transaction is completed.

Fair value of properties

1.1.2017, EUR mill.

950.1 ↑
(1.1.2016: 918.2)

Usage of properties 30.9.2017



Excluding Nevsky Centre, share of Stockmann Retail **75%** or **69%** when the Delicatessen transaction is completed.



THANK YOU, Q&A

