



STOCKMANN

FINANCIAL STATEMENTS 2017

Stockmann Group | 14 February 2018



HIGHLIGHTS IN 2017

Group's gross margin

55.8%

(55.7)

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

12.3

(30.9)

**Fair value of properties,
EUR mill.**

973.0

(950.1)

- **Stockmann Group**

- Improved operating results in Stockmann Retail and Real Estate
- Lindex performance not satisfying – firm actions initiated to improve sales and gross margin and reduce fixed costs
- Long-term credit facilities refinanced in the fourth quarter

- **Lindex**

- Adjusted operating profit EUR 16.1 million
- New CEO Susanne Ehnåge appointed, will start at latest in August

- **Stockmann Retail**

- Operating result up by EUR 18.5 million
- Revenue growth in comparable businesses (+1.2%)

- **Real Estate**

- Operating profit up by EUR 7.9 million
- Investigations regarding possible divestments of the Nevsky Centre and Book House



STRATEGY FOCUSED ON CORE STRENGTHS



Brand focus
on **Stockmann
& Lindex**

Divestments of Seppälä,
Academic Bookstore and
Hobby Hall



Geographic
focus on
**Nordic & Baltic
countries**

Exit from retail business
in Russia



Merchandise
focus on
**fashion, beauty
& home**

Divestment of
Stockmann Delicatessen
in Finland

Expanding the offering
with partner products



Targeting a
**seamless
omnichannel
experience**

Increase resources in
digitalisation in
Stockmann and Lindex

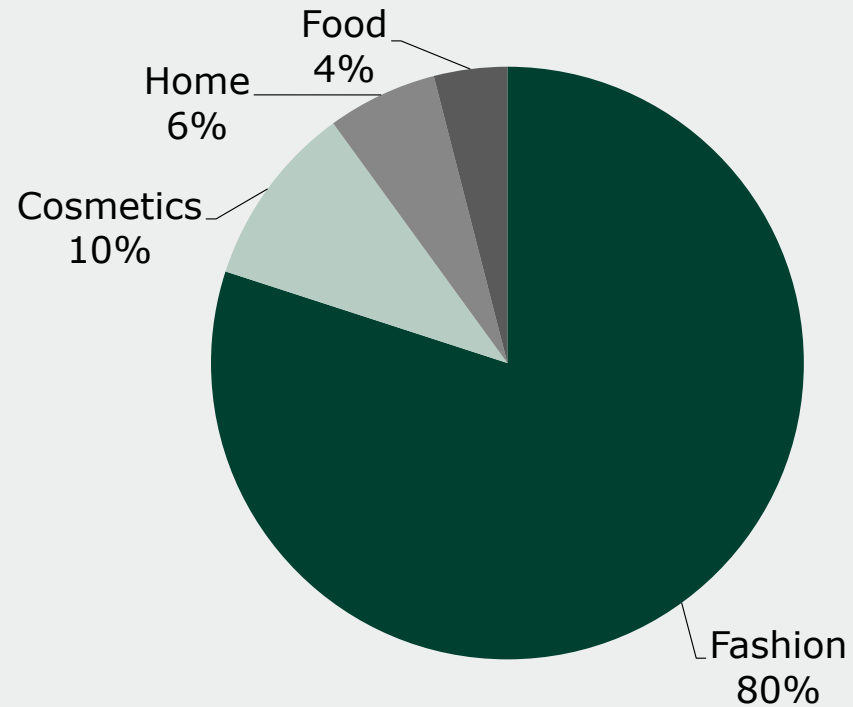
Expand food and service
experiences in all
department stores

Introduce partners to
complement the offering
also online



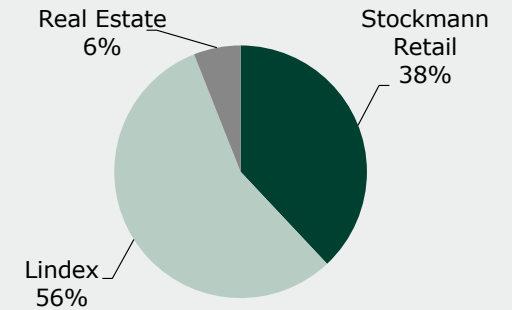
REVENUE IN 2017

MERCHANDISE SALES 2017

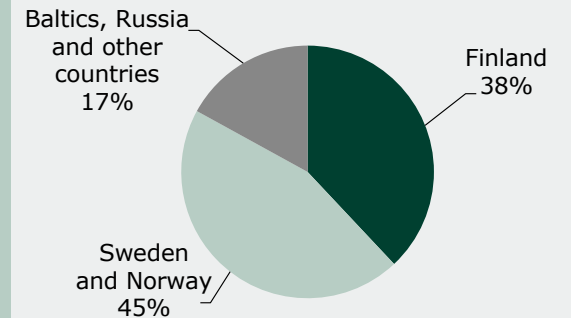


All figures excluding discontinued operations

REVENUE 2017 BY DIVISION



REVENUE 2017 BY MARKET





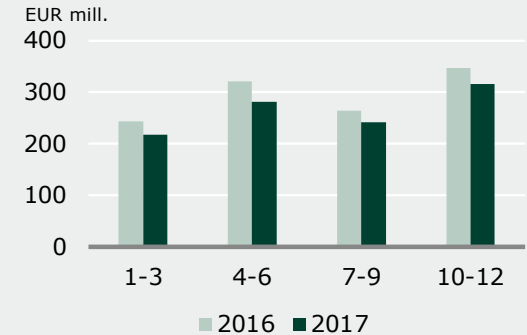
STOCKMANN GROUP, FINANCIAL PERFORMANCE* IN Q4 2017

- **Revenue** EUR 315.7 million (348.0)
 - Revenue down 0.2% in comparable businesses
 - Stockmann Retail +0.4%, Lindex -1.0%, Real Estate +7.0%
- **Gross margin** 56.8% (55.8%)
 - Up in Stockmann Retail but down in Lindex
- **Adjusted operating costs** EUR 139.4 million (144.1)
 - Adjustments EUR 9.6 million (2.6)
- **Adjusted EBITDA** EUR 39.8 million (50.8)
- **Depreciation** EUR 20.6 million (15.2)
 - Includes an ICT write-off of EUR 5.0 million
- **Adjusted operating result** EUR 24.2 million (34.9)
 - Increase in Real Estate
- **Reported operating result** EUR 13.6 million (32.3)

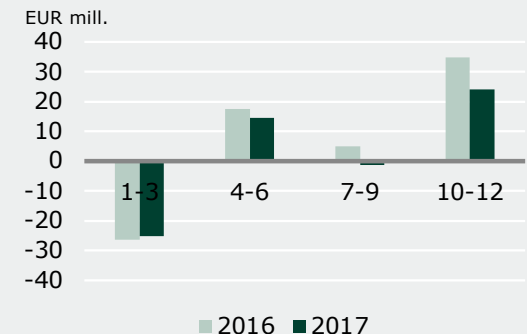
* *Continuing operations*

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





KEY FIGURES

		Q4/2017	Q4/2016	1-12/2017	1-12/2016
Equity ratio	%			43.0	48.3
Net gearing	%			83.8	68.3
Net financial items*	EUR mill.	10.9	2.6	-31.1**	-23.1
Result for the period*	EUR mill.	-12.2	20.9	-198.1	-7.5
Earnings per share*	EUR	-0.19	0.27	-2.82	-0.18
Net earnings per share, including discontinued operations	EUR	-0.20	0.36	-2.98	-0.12
Cash flow from operating activities	EUR mill.	85.7	96.1	25.9	41.5
Inventories	EUR mill.			162.2	180.7
Capital expenditure	EUR mill.			34.7	44.2
Depreciation	EUR mill.			215.9***	57.3
Balance sheet total	EUR mill.			2 061.4	2 241.2

* Continuing operations.

** Includes write-offs of EUR 7.3 million in 2017 and EUR 5.0 million in 2016.

*** Includes an impairment of Lindex goodwill of EUR 150 million.



MARKET ENVIRONMENT AND OUTLOOK FOR 2018

Market environment

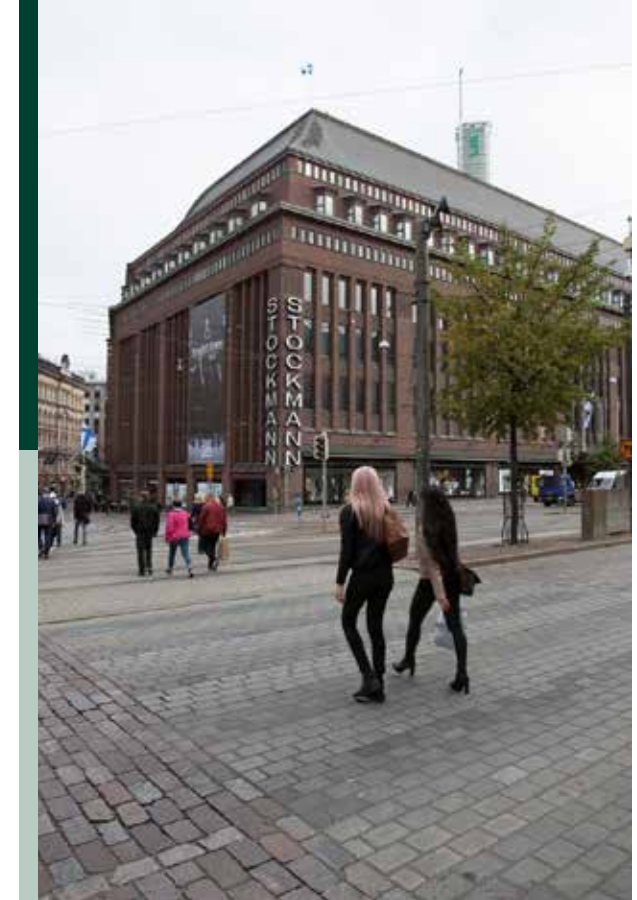
- Economic situations in **Finland** and **Sweden** are expected to improve with increasing GDP and customer confidence, but fashion market is not estimated to grow as rapidly, due to changing purchasing behaviour.
- Retail outlook in the **Baltic countries** is expected to be better than in the Group's other market areas.

Improving Group's long-term profitability

- **Efficiency measures** started in Lindex and Stockmann, to be implemented during the spring 2018 and fully visible in costs in 2019.
- First-quarter 2018 operating result is not likely to improve from the previous year's level, as the efficiency measures will not bring significant cost savings in the first quarter.

Guidance for 2018

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



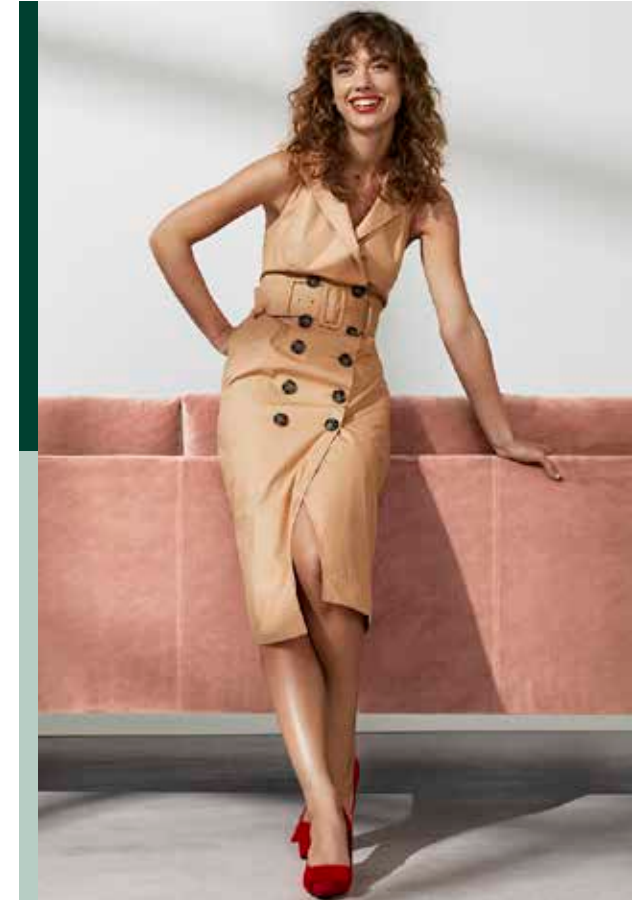
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INDEX



LINDEX, HIGHLIGHTS IN 2017

- **Total sales** declined, though growth outside of the Nordic market
- **Profitability improvement programme** launched
- Strong increase in sales and visitors in the **online store**
- Awarded **Omnichannel of the year** in Sweden
 - Release of **Smart shopping app** to strengthen the omnichannel position
 - Successful rollout of **My Store**, iPads in stores for increased efficiency
- Launch of new **assortment strategy** for increased clarity
 - Successful launch of the **Pants solution** concept – easier than ever to find the right trousers
- Launch of **sustainability initiatives**
 - **One Bag Habit** for a more sustainable shopping bag consumption
 - **We Women by Lindex**, action for gender equality in the supply chain

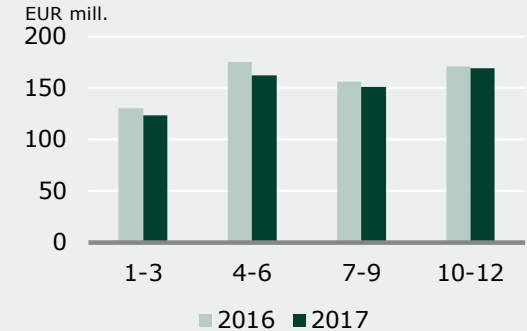




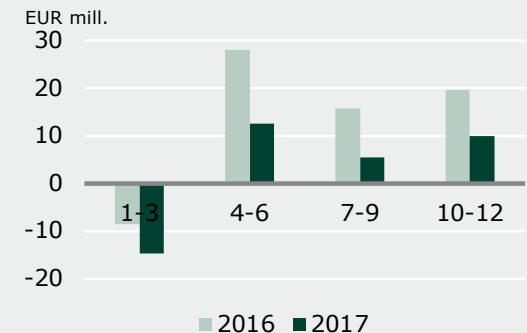
LINDEX, FINANCIAL PERFORMANCE IN Q4 2017

- **Revenue** down 1.0% to EUR 169.6 million (171.3)
 - Comparable store sales -1.2% due to decrease in the Nordic countries
- **Gross margin** 61.9% (65.2%)
 - Improvement from the previous quarters of 2017
 - Higher markdowns than in the previous year
 - Redefined treatment of inventory obsolescence improved the 2016 comparison figure
- **Operating costs** up EUR 2.6 million
 - Up due to a provision of EUR 2.7 million related to the organizational restructuring measures
- **Adjusted operating profit** EUR 12.7 million and reported operating profit EUR 10.0 million (19.6)
 - Down due to lower sales and gross margin

QUARTERLY REVENUE

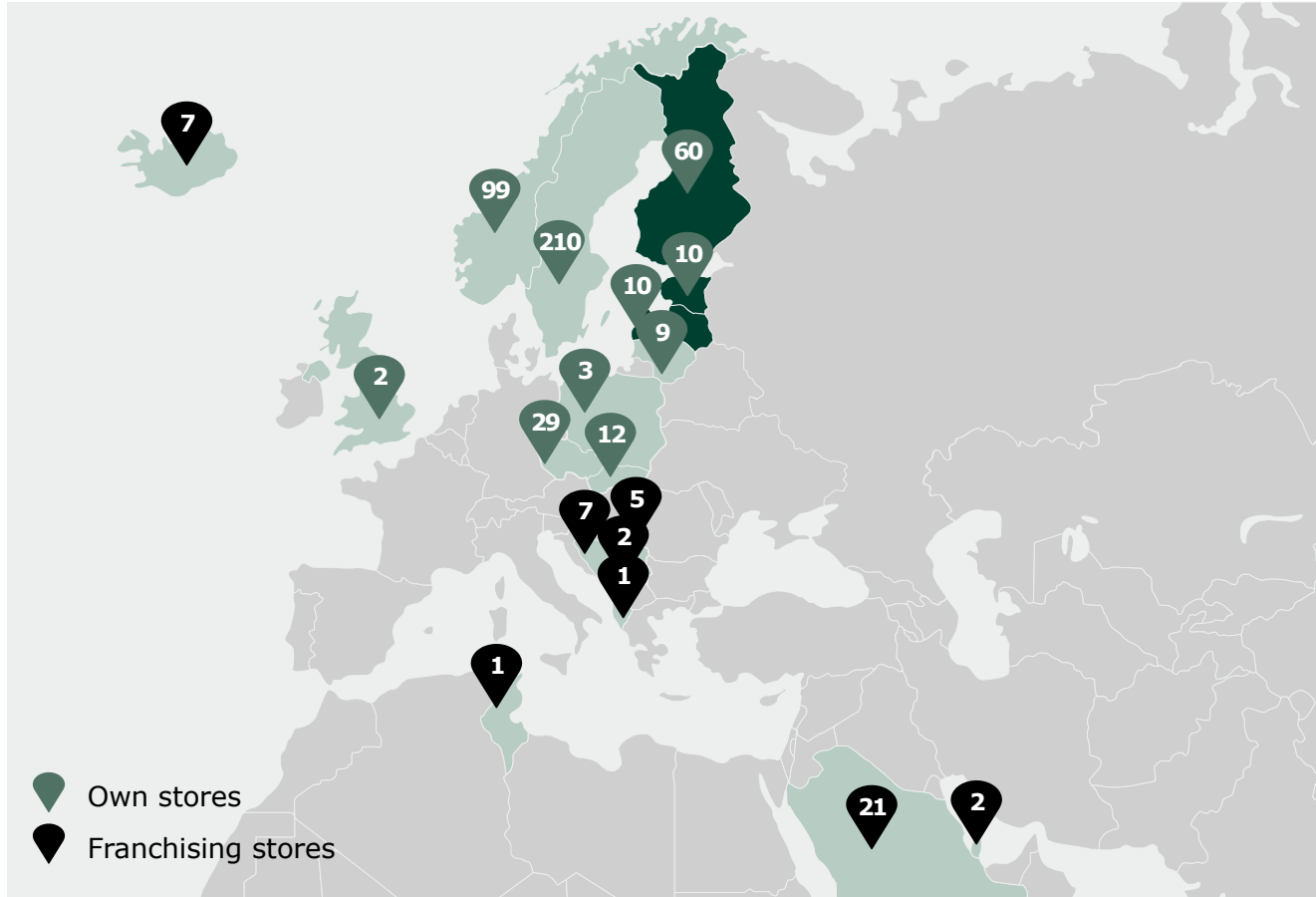


QUARTERLY OPERATING RESULT





INTERNATIONAL EXPANSION



- **Store network on 31 December 2017**

- 490 stores in 18 countries, of which 46 franchising stores
- 10 stores opened and 2 closed in Q4 2017

- **Stores & markets in 2018**

- Focus on optimising store locations
- Unprofitable stores will either move to new locations or close down
- Total number of stores at year-end is estimated to somewhat decrease



LINDEX WAY FORWARD

- **Profitability Improvement Programme** has started with full speed
 - Aim to reduce costs and increase the gross margin
 - Strong focus on sales and profit improvement
 - New sales programme in all countries to improve customer interaction
- Launch of **new vision** and **new visual expression**
- New store formats and concepts
- Focus and investment in the **e-commerce**
- **Susanne Ehnå** starts as Lindex new CEO latest in August



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STOCKMANN RETAIL



STOCKMANN RETAIL, HIGHLIGHTS IN 2017

- **Operating result 2017** improved by EUR 18.5 million
 - Increased comparable revenue
 - Improved gross margin
 - Significantly less costs due to the 2016 efficiency programme
- Strategic **withdrawal** from non-profitable businesses
 - Delicatessen's business operations in Finland sold to S Group at the year-end
- Building **premium shopping experiences**
 - New brands, pop-up shops and the new department store in Tapiola
 - New services such as Beauty Studio and Personal Shoppers
 - Stockmann Magazine and more inspirational digital marketing
- Strong focus on the **online store and omnichannel** services
 - Best growth of all units in 2017, particularly during the Crazy Days
- **New roles and incentive programme for the sales staff** in the department stores to improve sales and ensure excellent customer service



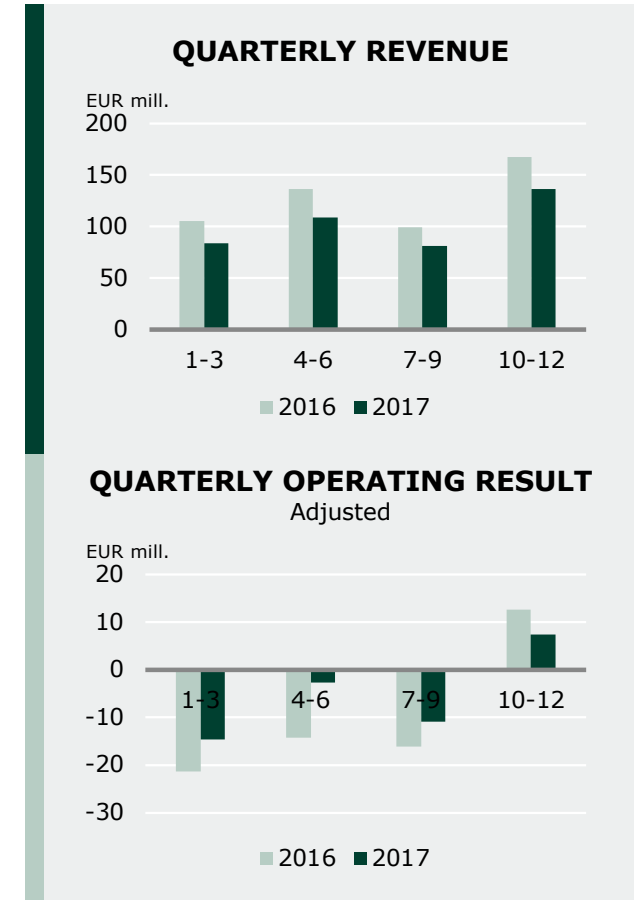


STOCKMANN RETAIL, FINANCIAL PERFORMANCE* IN Q4 2017

- **Revenue** EUR 136.2 million (167.1)
 - Revenue in comparable businesses up 0.4%
 - Finland down 0.2% in comparable businesses and Baltics up 2.6%
- **Gross margin** 47.3% (45.6 or 43.8 incl. Hobby Hall)
 - Gross margin improved mainly in fashion
- **Operating costs** EUR 53.0 million (51.3 or 57.4 incl. Hobby Hall)
 - Increased costs in support functions
 - Efficiency measures started in early 2018
- **Operating result** EUR 7.5 million (11.5 or 12.5 incl. Hobby Hall)

* *Continuing operations*

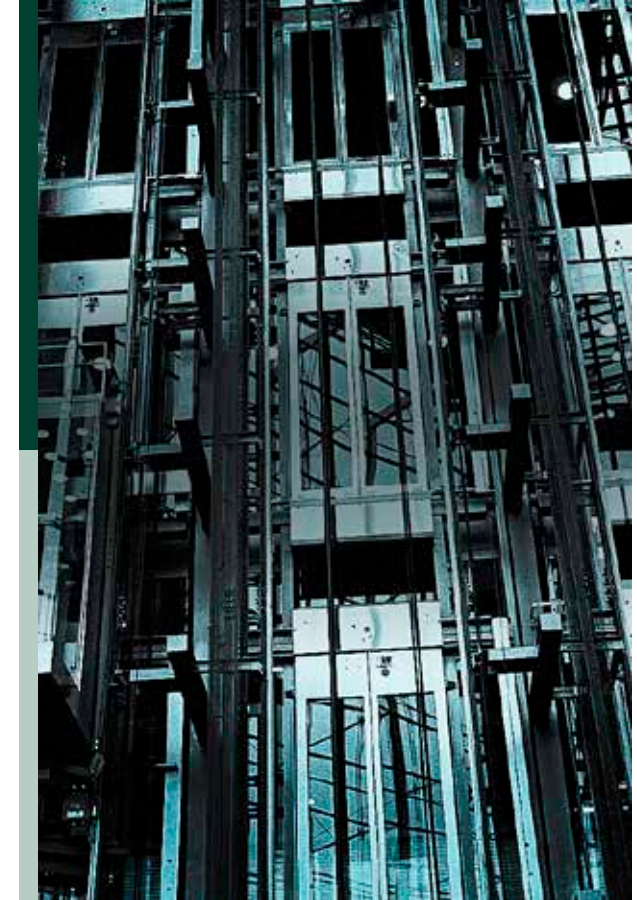
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DIGITAL WILL BE IN FOCUS IN 2018

- **E-commerce** and reinforcing the **omnichannel** approach at the core
- Online is Stockmann's **fastest growing** sales channel
 - Revenue growth by over 15% in 2017
- **Increasing investments** in omnichannel to strengthen competitiveness
 - Increased resources in selected digital areas
 - Stockmann will recruit **30-40 digital specialists** in 2018
 - Start and pilot new **partnerships** to reach the speed needed
- Goal is a seamless shopping experience, combining online and department stores
 - **Expanding product offering** in the online store
 - Full visibility to selection in the Helsinki flagship store
 - Improving logistics processes for **quicker delivery** times
- **Reserve and collect** service expanded to all stores in Finland in January 2018
 - Successful pilot in Helsinki flagship in December



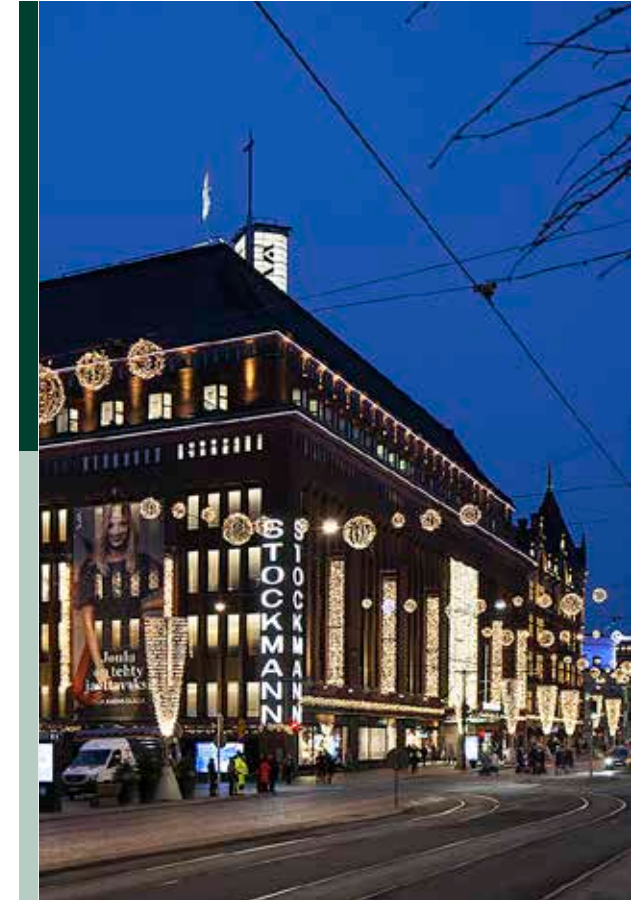
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REAL ESTATE



REAL ESTATE, HIGHLIGHTS IN 2017

- **Fair value of properties** increased by EUR 23 million in 2017
- Increased **revenue** and **operating profit**
 - Stable performance
 - Higher rental income particularly from Nevsky Centre
 - Fair value gain on the investment properties of EUR 4.0 million
- **Continuously refurbishing** the department stores
 - Summer roof terraces to Helsinki and Tallinn
 - New attractive tenants to all department stores
- Investigation of possible **property divestments** in progress
 - **Nevsky Centre** in St. Petersburg
 - **Book House** in Helsinki

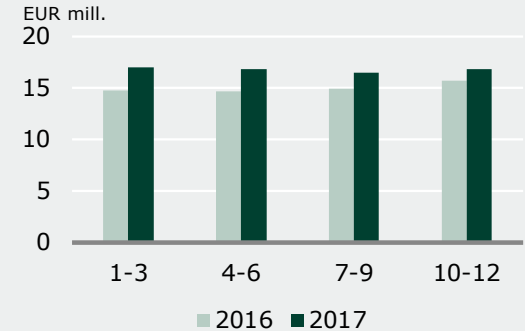




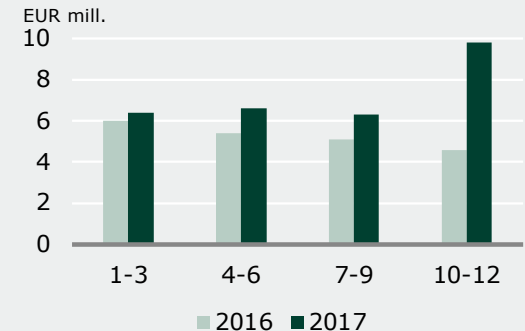
REAL ESTATE, FINANCIAL PERFORMANCE IN Q4 2017

- **Occupancy rate** of own properties 99.7% (99.1%)
- **Net operating income** from own properties EUR 12.2 million (11.1)
 - Average monthly rent EUR 37.05 per sqm (32.86)
 - Net rental yield in January–December 5.4% (4.9%)
- **Revenue** EUR 16.8 million (15.7)
 - Higher rental income in Nevsky Centre and Helsinki
- **Operating costs** slightly lower than in the previous year
- **Operating profit** EUR 9.8 million (4.6)
 - Includes a fair value gain on the investment properties of EUR 4.0 million

QUARTERLY REVENUE



QUARTERLY OPERATING RESULT





REAL ESTATE, STOCKMANN-OWNED PROPERTIES

Key figures

1.1.2018

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

Occupancy rate 99.7%



Helsinki flagship building
Occupancy rate 99.8
GLA 51 000
Usage by Retail 67%



Book House, Helsinki
Occupancy rate 100.0
GLA 9 000
Usage by Retail 2%



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 99.3
GLA 46 000
Usage by Retail 0%

Fair value of properties

1.1.2018, EUR million

973.0 ↑
(1.1.2017: 950.1)

- Department store properties
EUR 692 million
- Book House
EUR 100 million
- Nevsky Centre
EUR 181 million

Usage by Stockmann Retail

1.1.2018

- 75% in department store properties: Helsinki, Tallinn, Riga
- 46% in all own properties



HELSINKI FLAGSHIP: NO 1 LIVING ROOM IN CITY CENTRE

**Best brand selection
in town by Stockmann
and partners**

**Offering includes a
broad range of shops,
pop ups, cafés,
restaurants, beauty and
health services etc.**

**Approx. 12 million
visitors in 2017**

**Sales over EUR 300
million in 2017**



Three new restaurants to be opened by Royal Ravintolat in late spring 2018 in Stockmann Helsinki flagship. Alex Nieminen and Viviane Kallio are behind the concepts.



Q&A



STOCKMANN

FURTHER INFORMATION

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Annual Reviews, including Financial Statements
to be published in the week starting 26 February 2018