



STOCKMANN

OUR YEAR 2017



8
DEPARTMENT
STORES

490
FASHION STORES

5
PROPERTIES

OPERATIONS IN
23
COUNTRIES

Stockmann, founded in 1862, is a Finnish listed company engaged in the retail trade. The Group has three business divisions: Lindex, Stockmann Retail and Real Estate, about 47 000 shareholders and a personnel of about 7 000. Stockmann offers premium selections of brands, excellent customer service and experiences in modern and inspirational multichannel shopping environments. Our vision is to be the first source of inspiration for modern urban life for our customers.

REVENUE / EUR mill.

1 056

1176 (2016)

OPERATING RESULT* / EUR mill.

12.3

30.9 (2016) * Adjusted

 **STOCKMANN**
STOCKMANN.COM

LINDEX
LINDEX.COM

OUR REPORTING

Stockmann's 2017 reporting consists of four reviews: 'Our year 2017' Business Review, Financial Review, Corporate Governance, and Corporate Social Responsibility. This Business Review gives an overview of the Stockmann Group's strategy, business operations and CSR management. The Corporate Social Responsibility review covers the responsibility work in more detail and according to GRI Standards reporting guidelines.

All reviews are available in Finnish, Swedish and English. They can be found at year2017.stockmanngroup.com. The Business Review is also available as a printed version which will be posted to those who have ordered it.



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SUSTAINABLE DEVELOPMENT // SEPTEMBER

CAMPAIGN TO PROTECT THE BALTIC SEA

To reduce the amount of plastic waste generated, Stockmann started charging its customers for carrier bags at all of its department stores in Finland and Riga from September. In the Tallinn department store, the charging of shopping bags started on January 1, 2018. The move came as part of Stockmann's social responsibility commitment in accordance with the principles of sustainable development.

Stockmann promoted lower consumption of carrier bags through various campaigns. Throughout September, Stockmann donated five cents for the protection of the Baltic Sea every time a customer avoided buying a new plastic or paper bag when shopping. In addition, Stockmann donated all the revenue from reusable carrier bags sold during the Crazy Days in October to the WWF. **In total, the carrier bag campaigns generated a donation of 21 254 euros for the protection of the Baltic Sea.**

Lindex is similarly working towards cutting the consumption of carrier bags by participating in the *One Bag Habit* initiative, which aims at reducing the number of carrier bags consumed and raising awareness of their environmental impacts.



READ MORE

in our Corporate Social Responsibility review at year2017.stockmanngroup.com

Stockmann in 2017

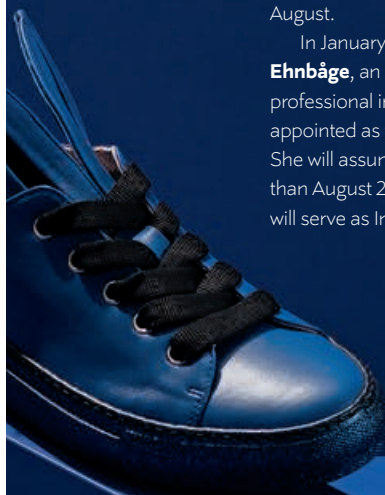


MANAGEMENT // AUGUST

LINDEX APPOINTS NEW CHIEF EXECUTIVE OFFICER

Elisabeth Peregi, who has worked at Lindex for almost 20 years, was appointed Interim CEO of Lindex in August.

In January 2018, **Susanne Ehnåbåge**, an experienced professional in digital retail, was appointed as the new CEO of Lindex. She will assume her duties no later than August 2018. Elisabeth Peregi will serve as Interim CEO until then.



LICENSE AGREEMENT // APRIL

STOCKMANN BRAND TO REMAIN PRESENT IN RUSSIA

Stockmann signed an extended licensing agreement with Reviva Holding Limited's subsidiary AO Stockmann concerning the use of the Stockmann brand in Russia from 2018 until 2023. Reviva has been responsible for the Stockmann department stores' operations in Russia since 1 February 2016.

LIFESTYLE // SEPTEMBER

STOCKMANN MAGAZINE

In September, Stockmann launched its new lifestyle publication, *Stockmann Magazine*, which aims to reach customers who are interested in fashion and topical issues, offering them inspiration for their everyday lives.



FINNISH DESIGN // APRIL

DESIGN FROM FINLAND

Stockmann's own fashion and home brands were given the *Design from Finland* label in April 2017. The products are designed by Stockmann's own Design Studio, which is based in Pitäjänmäki in Helsinki.



DEPARTMENT STORES // MARCH

NEW DEPARTMENT STORE IN TAPIOLA OPENED

The Stockmann department store in Tapiola was opened on 16 March 2017 in the second stage of the AINO shopping centre. Stockmann made use of feedback and development ideas from customers when designing the new department store. In line with customers' wishes, the department store houses a high-quality café and a resting and lounge area, among other features. The renovated parking facilities make it easier to shop in the department store. Moreover, the opening of the west metro in November enables quicker and smoother travel to the Tapiola department store.

Stockmann turned
155
years on 1 February
2017

EQUALITY // JUNE

WE WOMEN BY LINDEX PROJECT SUPPORTS GENDER EQUALITY

In the summer, Lindex launched *WE Women by Lindex*, a project with the aim of strengthening equality in the company's supply chains and creating more equal and participatory workplaces. This project is a part of Lindex goal of giving women better opportunities in the company's global goods supply chain.

FINANCING // NOVEMBER

REFINANCING OF LOANS

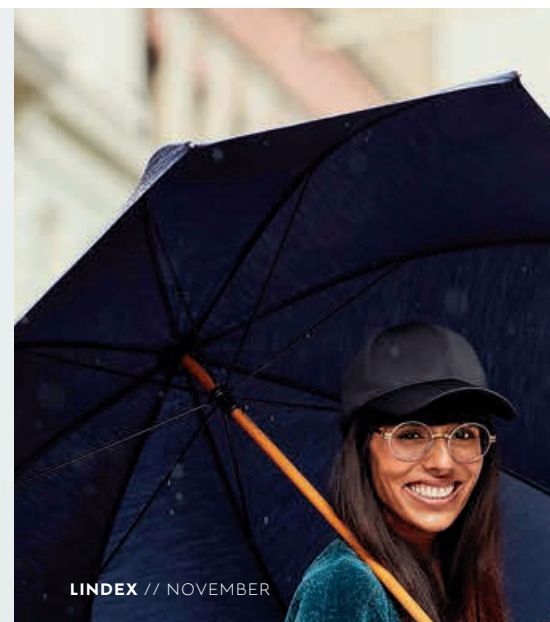
Stockmann concluded an agreement on long-term refinancing for its credit facilities in November. The loans agreed on with six banks will mature in 2018–2019 and 2021. Stockmann's new senior notes will mature in 2022.

DIVESTMENT
// DECEMBER**DELICATESSEN TRANSFERRED TO S GROUP**

Stockmann and S Group signed an agreement in June on the sale of the Stockmann Delicatessen business operations in Finland to S Group's regional cooperatives. The Finnish Competition and Consumer Authority approved the sale in December, and the transaction was concluded on 31 December 2017.

The Stockmann Delicatessen stores will continue to provide customers with first-class service and a unique, high-quality selection in all Stockmann department stores.

S Group's regional cooperatives became a major partner for Real Estate as tenants in the properties owned by Stockmann and subtenants in Stockmann's leased premises. The Stockmann Delicatessen business operations in the Baltic countries will remain with Stockmann.

**AWARDED MULTICHANNEL RETAIL**

Lindex received the prestigious *Omnichannel of the Year* award at the Habit Fashion Gala in Stockholm in November. This was the second time that Lindex won the award in this category. Lindex's clear strategy, customer focus and drive towards continuous improvement have made it a strong player in the multichannel space. During the past year, Lindex has launched a smart shopping app, brought new digital tools and features at its stores to further improve the customer experience, as well as updated its online store.



In 2018, we
will increase
our investments in
multichannel operations
and strengthen our digital
competence.

LAURI VEIJALAINEN,
CEO



MOVING STEADFASTLY TOWARDS OUR GOALS

The past year, 2017, indicated that the changes made at Stockmann are bearing fruit and moving us forward. We continued to systematically execute our strategy, with the goal of improving our profitability.

In June, we announced an agreement on the sale of the Stockmann Delicatessen business operations in Finland to S Group. The transaction was concluded after it had been approved by the competition authorities, and the Delicatessens were transferred to their new owner on 31 December 2017.

Stockmann is now focusing on its strong core competences in the fashion, cosmetics and home product areas in its department stores and online store. We also continue to run the Delicatessen business operations in our department stores in the Baltic countries. Other product areas and services are offered by our department stores' partners, who brought many new, attractive brands and services to our properties over the past year.

Lindex is continuing its systematic work to improve its profitability and strengthen its brand in its current and new markets. As part of its ongoing profitability improvement programme, Lindex is renewing its collections and campaigns and implementing efficiency measures to boost its sales margins and result.

DEPARTMENT STORES AND REAL ESTATE IMPROVED THEIR RESULT

From a results perspective, 2017 was a challenging year for us. The adjusted operating result was positive, amounting to EUR 12.3 million, but fell short of the previous year's figure. Among the Group's divisions, Stockmann Retail, which engages in department store and online retail business operations, and Real Estate, which engages in real estate operations, improved their results. Particularly gratifying has been the strong growth in e-commerce. Stockmann Retail improved its result by EUR 18.5 million during the year, but is still at a loss. Thanks to numerous measures we implemented, we succeeded in cutting annual costs by more than EUR 40 million.

To ensure Stockmann Retail's return to profitability, we continued our efficiency measures in January 2018 with the aim of achieving annual cost savings of at least EUR 8 million. Indeed, achieving a positive adjusted operating result in Stockmann Retail is our number-one goal for 2018.

After a prolonged good earnings trend, the Lindex fashion chain's operating profit declined significantly from the previous year. Lindex is now our biggest challenge. The company launched a wide profitability improvement programme in autumn in order to ensure positive earnings performance in the future. Lindex appointed Susanne Ehnåge as its new CEO in January 2018, and she will take up her duties by August this year. She comes with strong expertise in retail and online and the ability to implement the new direction.

In November, we concluded agreements on long-term refinancing, which is an important step that allows us to focus fully on developing our business operations. Stockmann is also exploring the possible sale of the Nevsky Centre shopping centre in St Petersburg and the Book House property in Helsinki city centre.

WE ARE REINVENTING OURSELVES AND IMPROVING ON MANY FRONTS

We are constantly striving for an even better customer experience, and with this in mind we implemented many new initiatives during the past year. Listening to our customers and increasing our understanding of their needs is of utmost importance to us. We aim to make changes in line with our customers' wishes.

We added a whole range of new experiences and services to our department stores, such as mobile payment solutions. In particular, we will continue to focus on providing the best food experiences in our new cafés and restaurants this year. For example, a brand new restaurant concept opens in the street level of the Helsinki department store in late spring. We will also invest in tourist and tax free sales.

The new department store in Tapiola, which was designed based on customer feedback and opened in March, was a major accomplishment for us. The opening of the west metro has clearly had a positive impact on Tapiola's attendance. We have also developed our digital solutions extensively over the past two years. In 2018, we will increase our investments in multichannel operations and strengthen our digital competence. Our goal is to forge a strong alliance between brick-and-mortar stores and online retail, and to build an excellent multichannel customer experience.

Responsibility forms a core part of Stockmann's operations. During the past year, we offered our customers the chance to recycle their clothes in our department stores and in Lindex's stores. Moreover, we highlighted responsible alternatives in our selections and the Design in Finland label in our own-brand fashion, reduced the harmful environmental impacts of our carrier bags and cooperated with the WWF, the Pink Ribbon campaign and many other non-profit organisations.

I would like to extend my thanks to our customers and owners for their trust, and to our personnel for their strong commitment and efforts during the challenging year. I would also like to thank all of our stakeholders for their dialogue and cooperation and our joint projects. In 2018, we will continue to work systematically towards the turnaround and to further develop customer satisfaction and our business operations.

Lauri Veijalainen
Chief Executive Officer

RAISING THE CUSTOMER EXPERIENCE TO A NEW LEVEL

Best customer service in the sector, continuously updated premium selections and the most inspirational shopping venues in the city are at the core of Stockmann's operations.

Since autumn 2014, Stockmann has systematically implemented its new strategic direction. The customer, efficiency, and people and culture make up the cornerstones of Stockmann's strategy. The operations are focused on retail related to the Stockmann and Lindex brands and on the properties owned by the Group. The Stockmann Retail and Real Estate divisions support and complement each other, providing first-class customer experiences together. Although Lindex is being developed as an independent part of the Group, strong customer orientation is a consistent theme throughout the Group and all actions aim to support it.

Achieving profitable growth has required Stockmann to make strategic choices. Stockmann has discontinued many non-core and unprofitable business operations and merchandise areas. The Group is advancing on its new course, and there are several projects underway with the aim of returning the department stores back to a positive operating result and improving Lindex's earnings performance.

The operations are being developed in an agile way, which is evidenced by solutions that serve the customers better, inspiring shopping environments, more engaging products and campaigns, and new services and experiences. Many ongoing projects and changes, such as projects related to customer relationship management and digitalisation, are laying the groundwork for future growth and taking the customer experience to a higher level.

LINDEX – INSPIRING AND AFFORDABLE FASHION

Lindex is one of the leading fashion chains in Europe, and its goal is to become an internationally successful fashion retailer with sustainable growth in sales. Lindex offers a wide selection of women's wear, kids' wear, lingerie and cosmetics. Lindex inspiring fashion is known for its comfortable fit, affordable prices and sustainably and responsibly manufactured products. The renewal of collections and campaigns forms a key element in Lindex's new direction and profitability improvement programme.

Lindex's extensive international operations are based on its own and franchising partners' stores. Lindex continues to strengthen its operations, particularly in its current main markets, and to deploy measures to turn its earnings performance around. Digitalisation has been built up as an

element that supports the entire business strategy. Content production in the online store has been extensively revised. Strong investments in digitalisation will continue in the future.

STOCKMANN RETAIL – A FIRST-CLASS CUSTOMER EXPERIENCE IN EVERY CHANNEL

Stockmann Retail is renowned for its professional customer service and excellent customer experiences. The division anticipates its customers' needs, offering the best selections of Finnish and international premium brands and the newest products from across the world. The shopping environments are renewed constantly, offering novelty and a touch of luxury for everyday life. Customers are always given more reasons to shop in the department stores and online store.

The division focuses on developing its department store operations in the Finnish and Baltic markets, both in brick-and-mortar and online stores. The big drive to go digital will be continued with the aim of further improving the customer experience across all channels and turning the department stores and the online store into a seamless whole. Customer behaviour and consumer habits, and changes taking place in them, are analysed so as to be able to respond better and more rapidly to shifting expectations.

REAL ESTATE – A KEY PART OF THE STOCKMANN CUSTOMER EXPERIENCE

Real Estate focuses on growing the value of the high-quality property portfolio owned by Stockmann Group and working in a close partnership with Stockmann Retail.

The Real Estate division engages in professional property management with the aim of improving the shopping experience by seeking the best partners to complement the Stockmann department stores' own offering. Real Estate is also responsible for Stockmann's own real estate assets and leads the management of leased properties. The division's aims are to increase the diversity of Stockmann's product and service selection, to use space efficiently and to maximise rental income from the properties.

The shared goal of Real Estate and Stockmann Retail is to offer a first-class and inspiring shopping experience to the customers. Direct and seamless cooperation between the divisions is crucial for providing an optimal offering to the customers under one roof.

Our vision is to be the first source of inspiration for our customers when it comes to modern urban life.

Strategy

OUR VISION // STOCKMANN IS THE CUSTOMERS

Nº1

SOURCE OF
INSPIRATION
FOR MODERN,
URBAN LIFE



OUR FOCUS //

CUSTOMER

Giving more
reasons to shop
in all channels

OUR OFFER //

FASHION

BEAUTY

HOME

- SELECTION
- SERVICE
- SCENE
- SPECIALS

FOOD & PARTNERS COMPLEMENTING OWN OFFERING

- The best curated mix of brands from around the world & from home
- Services that you can't find anywhere else
- An inspiring and attractive shopping environment
- Inspiration and offering tailored to our customers

OUR KEY
BUSINESS //

LINDEX

Inspiring & affordable fashion

STOCKMANN RETAIL

Leading-edge & premium, seamless omnichannel shopping

REAL ESTATE

Improving shopping experience with attractive brands

OUR VALUES //

We inspire our
customers

We encourage
each other
to achieve top
results

We make
courageous
decisions

We take
responsibility
for our
promises

MEGATRENDS //

DIGITALISATION
URBAN DEMOGRAPHICS

UNIQUE EXPERIENCES
SUSTAINABILITY

HYBRID CONSUMERISM
INCREASING COMPETITION

RESPONSIBILITY AS PART OF OUR OPERATIONS

Commitment to responsible operations forms a core part of Stockmann's values and daily operations.

Stockmann's value proposition is to offer its customers first-class multichannel shopping experiences in its department stores, fashion stores and online stores. In Stockmann's corporate social responsibility (CSR) work, this means commitment to sustainable development and providing our customers with responsible shopping experiences.

CSR work in Stockmann's operations covers the entire value chain, starting from ensuring safe working conditions in the supply chain. We want to offer our customers responsible alternatives in our product selection. Stockmann places our customers first and we guarantee that our products are safe. We pay attention to employee well-being and environmental aspects.

The CSR work is steered by Stockmann's strategy and values, operating principles, CSR strategy, the national legislation and regulations of the countries of operation, and by international agreements and recommendations. The practical work is also guided by numerous voluntary commitments and initiatives.

Our CSR work is systematic and it is developed continuously. Open dialogue and cooperation with our stakeholder groups and communication and reporting about progress in our CSR efforts form a key element in the CSR work.



READ MORE

about our CSR work in our Corporate Social Responsibility review at year2017.stockmanngroup.com

OUR CSR VISION //

We offer our customers responsible shopping experiences. We are committed to working for a more sustainable future.

CSR in practical actions

RE:DESIGN UPCYCLING DENIM COLLECTION

In March 2017, Lindex launched *Re:Design*, a collection of exclusive upcycled clothing products that have been redesigned and remade locally in Borås, Sweden.

USE OF RESPONSIBLE MATERIALS ON THE RISE

As much as

55%

of Lindex's clothing is already manufactured from responsible materials, with 95% of the cotton used obtained from sustainable sources. Organic cotton and lyocell made up 10% of the materials used in Stockmann's own brand fashion collections in 2017, and this contribution is expected to increase considerably in the 2018 collections.

TAG INDICATES RESPONSIBLE MATERIALS

To make it easier for customers to make responsible choices both in the department stores and online, the *Sustainable DESIGN* tag have been added to the own-brand clothes to indicate they are made from responsible materials. At Lindex, such products are marked with a *Sustainable Choice* tag.

RECYCLING POSSIBILITIES FOR TEXTILES

Stockmann department stores began their cooperation with *Emmy, an online store* selling second-hand brand fashion. Stockmann's customers can now recycle their clothes using Emmy's turnkey service and take out the proceeds from their sales as Stockmann gift cards. Lindex has *Reuse, Recycle* collection points for textiles at all of its stores in Finland, Sweden and Norway. Through these, Lindex collected

150 tonnes of textiles in 2017, which are recycled through partners.

Sustainable
DESIGN

EMPLOYEE EXPERIENCE IMPROVED

During 2017, Stockmann made efforts **to improve the employee experience, personnel participation and openness**. The results of the OHI survey, which measures the organisation's health and performance in Stockmann operations, improved in all areas, with the general score increasing by 16 points to 54. The OHI personnel survey was conducted for the fourth time.

TOP RISER OF THE YEAR IN EMPLOYER IMAGE

Stockmann was the top riser of the year in the employer image survey conducted by Universum, a market research company. Stockmann ranked 32nd in a survey that targeted professionals with a higher education degree, **up 15 spots** on the previous year's rank of 47.

INCENTIVE PROGRAMME NOW COVERS EVERY STOCKMANN EMPLOYEE

Sales, warehouse and support personnel and the management have their own designated incentive schemes, which aim to encourage and motivate our employees to reach for top results and to inspire customers.

YOUNG PEOPLE INTRODUCED TO WORKING LIFE

We invested in our outreach efforts directed at young people by cooperating with Laurea University of Applied Sciences, participating in the Chamber of Commerce's *1000 Young Leaders* project and offering trainee positions under *the 100 Years of Work Available* (Annetaan 100 vuotta töitä) programme.

SUPPORT FOR THE FIGHT AGAINST BREAST CANCER

Combating breast cancer and raising awareness of the disease has been an important part of Lindex's social responsibility work for 15 years. Lindex again donated 10% of the sales of its Pink Collections to *the Pink Ribbon* campaign and collected together with its customer

900,000 euros
for the support of cancer research.

WISH-LIST GIFTS FOR CHILDREN AND YOUNG PEOPLE

Stockmann's department stores collected gifts to be donated to young people in cooperation with Hope. Around 800 of our customers made donations, enabling the fulfilment of the Christmas gift wishes of children and young people from hundreds of families with limited means.

FINANCIAL PERFORMANCE IN 2017

The Stockmann Group's adjusted operating result in 2017 was EUR 12.3 million (30.9). Operating costs decreased by more than EUR 40 million. Of the Group's three divisions, the fashion chain Lindex and the Real Estate business are profitable, but Stockmann Retail was still loss-making. Stockmann Retail and Real Estate improved their operating results. Lindex's operating profit declined. During the year, an impairment charge of EUR 150 million was made for Lindex's goodwill, and as a result, the Group's net profit for the year remained negative. The Stockmann Group's revenue was EUR 1 055.9 million (1 175.7) in

2017. The Group's revenue in continuing product areas and businesses was down by 1.5%.

Earnings per share in continuing operations were EUR -2.82 (-0.18), or EUR -2.98 (-0.12) including discontinued operations. The Board of Directors will propose no dividend to be paid on the 2017 financial year.



READ MORE

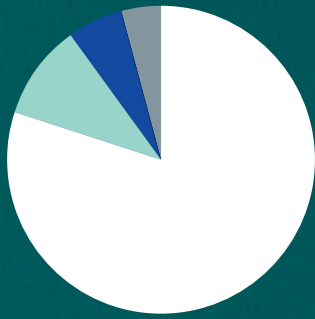
in the Financial Review at
year2017.stockmanngroup.com

Key figures

	2017	2016
REVENUE, EUR mill.	1 055.9	1 175.7
GROSS MARGIN, per cent	55.8	55.7
EBITDA, adjusted, EUR mill.	73.2	88.2
OPERATING RESULT, EUR mill.	-148.4*	28.3
– Adjusted, EUR mill.	12.3	30.9
ADJUSTMENTS TO OPERATING RESULT, EUR mill.	160.6*	2.6
NET FINANCIAL COSTS, EUR mill.	31.1	23.1
RESULT BEFORE TAX, EUR mill.	-179.5	5.2
RESULT FOR THE YEAR, EUR mill.	-198.1	-7.5
EARNINGS PER SHARE, undiluted, EUR	-2.82	-0.18
– Including discontinued operations, EUR	-2.98	-0.12
CASH FLOW FROM OPERATING ACTIVITIES, EUR mill.	25.9	41.5
CAPITAL EXPENDITURE, EUR mill.	34.7	44.2
NET GEARING, per cent	83.8	68.3
EQUITY RATIO, per cent	43.0	48.3
EQUITY PER SHARE, EUR	12.29	14.99
PERSONNEL, average	7 360	8 164
SHARE OF PERSONNEL IN FINLAND, per cent	30.2	33.8
SALARIES AND OTHER EMPLOYEE BENEFITS, EUR mill.	236.2	270.4
CO ₂ EMISSIONS (SCOPE 1-3), thousand ton	61 970	62 670
WASTE RECYCLING RATE, per cent	72.7	73.6
GOODS AND MATERIALS PURCHASED, EUR mill.	790.5	864.9
SUPPLY CHAIN AUDITS, amfori BSCI, Accord and own audits	428	359

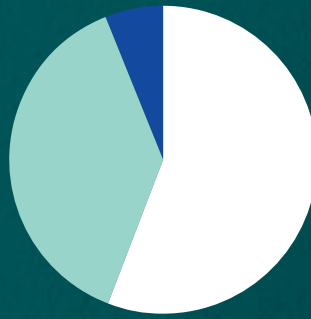
*¹) Includes a goodwill impairment of EUR 150 million.

Stockmann Delicatessen's business operations in Finland have been reported as discontinued operations in 2017, the comparison year 2016 has been adjusted.



MERCHANDISE SALES BY PRODUCT AREA

FASHION	80%
COSMETICS	10%
HOME	6%
FOOD	4%



REVENUE BY DIVISION

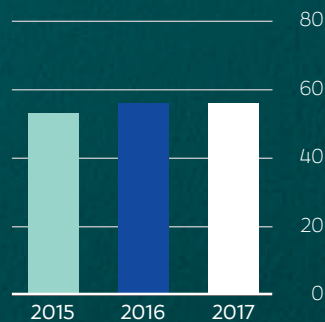
INDEX	56%
STOCKMANN RETAIL	38%
REAL ESTATE	6%



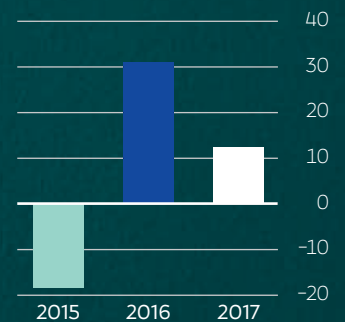
REVENUE BY MARKET

FINLAND	38%
SWEDEN & NORWAY	45%
BALTICS, RUSSIA & OTHER COUNTRIES	17%

GROSS MARGIN %



OPERATING RESULT EUR MILL. / ADJUSTED





Lindex

Inspiring &
affordable
fashion

WORLD- CLASS FASHION FOR EVERYONE

Lindex offers world-class fashion experiences at its stores and through its online store, including a wide variety of women's fashion, kids' wear, lingerie and cosmetics.

At the end of 2017, Lindex had a total of 490 stores in 18 countries. Lindex's extensive international operations are based on its own store network and its franchising partners' stores. The company had franchising stores in 8 countries and its own stores in 10 countries. In addition, Lindex's online store operates in 30 countries. Lindex focuses on strengthening and optimising its operations in its main markets in the Nordic countries, as well as in other markets.

With its attractive fashion concept, Lindex is one of the leading fashion chains in Europe. Lindex's collections are known for their comfortable fit, inspiring trendiness, affordable prices and sustainably and responsibly manufactured products, offering modern and classical choices for every situation. Responsibility is a key element in these collections, and Lindex is committed to its goal in which 80% of its products will be made with materials with a lower environmental impact by 2020. During the year, more products manufactured from more sustainable materials were added to Lindex's collections, so 55% of the collections are already produced from more sustainable materials.

Lindex faced a number of challenges in 2017, and sales did not develop as well as expected. The gross margin weakened, as sales were increased through numerous discounts. Lindex's operating result was positive, but significantly lower than that of the previous year. The company initiated a profitability improvement programme towards the end of the year, with the aim of achieving annual savings of more than ten million euros in fixed costs. In the programme, numerous measures will be carried out to improve the gross margin, including the renewal of collections.

Lindex has invested considerable resources in multichannel retailing and digitalisation, aiming to offer world-class fashion experiences through all its sales channels. During the past year, Lindex launched a smart shopping app, introduced new digital tools and new features at its stores to improve the customer experience, and it also updated its online store. This work will continue in 2018.

At the start of this year, Lindex unveiled its new vision "empowering and inspiring women everywhere". The new vision will be presented to all employees in the first months of this year and to the customers in the spring in connection with the launch of the new visual concept. The new concept aims to convey a natural and genuine feeling, high energy and a modern attitude.

490

STORES

18

COUNTRIES

LINDEX.COM
30 COUNTRIES

REVENUE / EUR mill.

606.0

633.2 (2016)

OPERATING RESULT / EUR mill.

13.4

54.9 (2016)

SALES / By merchandise area

WOMEN'S FASHION

33%

LINGERIE	KIDS' WEAR	COSMETICS
27%	35%	5%

REVENUE / By market area

SWEDEN AND NORWAY

78%

FINLAND	BALTICS AND OTHER COUNTRIES
11%	11%

Even more
sustainable
jeans

! In autumn 2017, Lindex launched its new Even Better Denim collection, which is made of even more ecological materials. The jeans are manufactured of recycled cotton from customers as well as organic cotton and less water is used than ever before. Moreover, the collection has been produced with the most eco-friendly washing process possible. The washing process uses only one bottle, or 2 liters. The cleanest indigo dye in the market is used in the dyeing of the jeans. !



Stockmann Retail

Leading-edge &
premium, seamless
omnichannel
shopping

PREMIUM CUSTOMER EXPERIENCE IN EVERY CHANNEL

Stockmann Retail offers high-quality selections of brands, professional customer service and excellent customer experiences in modern and inspiring omnichannel shopping environments.

Stockmann Retail operates six department stores in Finland and two in the Baltic countries, and an online store that closely supports the department stores. The product selection focuses on fashion, beauty and home products, as well as on food in the department stores in the Baltic countries. Stockmann Delicatessen's business operations in Finland were sold to S Group on 31 December 2017, when the operations were transferred to their new owner.

Stockmann Retail offers high-quality and diverse selections and excellent customer service. The selections are renewed regularly, and during the year we introduced several new and attractive Finnish and international brands to our selections. Numerous brands' pop-up shops added another fresh element to the department stores. The gorgeous new Tapiola Stockmann, which has been designed based on a completely new concept, opened its doors in March. Stockmann also participated for the first time with its own stand at the Habitare Fair, and Stockmann's own-brand home and fashion products were given the right to use the Design in Finland label. Services were improved by opening a new Beauty Studio offering beauty care services, and services aimed at tourists were also expanded.

Stockmann Retail's revenue in comparable businesses grew slightly during the year. The online store and the Baltic department stores were the best performers. For example, online sales during the Crazy Days in autumn grew by 25%. The operating result improved on the previous year by about EUR 18.5 million, mostly driven by savings in fixed costs. However, the operating result was still negative. The goal is for Retail's adjusted operating result to be positive in 2018. To achieve this turnaround, we will continue applying efficiency measures.

The digital channels are also an endless source of inspiration. Listening to the customers and their wishes are fulfilled by offering the latest trends, attractive novelties and interesting content. The Swedish-language newsletter was resumed after a break at the end of the year. The seamless cooperation between the online store and the bricks-and-mortar stores was tightened further. The seamless shopping experience is also supported by the distribution centre in Tuusula, which serves all sales channels and to which the warehouse for the Baltic department stores was transferred from Riga in autumn 2017. Increasing e-commerce and reinforcing the multichannel approach are at the core of Stockmann's rapidly progressing digitalisation.

8

DEPARTMENT
STORES

3

COUNTRIES

ONLINE STORE
stockmann.com

REVENUE / EUR mill.

410.2

508.3 (2016)

OPERATING RESULT / EUR mill.

-20.6

-39.1 (2016)

SALES / By merchandise area

FASHION

57%

BEAUTY

18%

HOME

15%

FOOD

10%

REVENUE / By market area

FINLAND

78%

BALTICS

22%

New digital
services

Stockmann continued to develop digital services and the online store. In 2017 new mobile payment services as AliPay and Apple Pay were launched as well as the possibility of reserving loyal customer products through the Stockmann application. At the beginning of 2018, Stockmann initiated a digital acceleration project, which will see the company considerably increase its investments in strengthening multichannel operations.



Real Estate

Improving shopping
experience with
attractive brands

STRENGTHENING THE STOCKMANN CUSTOMER EXPERIENCE

Real Estate is responsible for managing the properties owned and leased by Stockmann. In addition to a pleasant environment and efficient use of space, first-class shopping experiences are created with the attractive products and services of brands complementing Stockmann's own selection.

The Real Estate division comprises the five properties owned by the Group in Helsinki, St Petersburg, Tallinn and Riga. The gross leasable area (GLA) of the properties amounts to about 142 000 square metres, of which Stockmann Retail uses 46% and the rest are used by external tenants.

The properties owned by Stockmann are located in attractive commercial areas in the centres of the cities. Business premises with a central location are in high demand. This has had a positive impact on Real Estate's rental income when it concludes new lease agreements. Several international top brands want to be displayed in Stockmann's department stores.

Stockmann is currently exploring the possibility of selling the Nevsky shopping centre in St Petersburg and the Bookhouse property in Helsinki, both of which are classified as investment properties. The Nevsky Centre has been used by external partners since February 2016 and Bookhouse since the beginning of 2018, when the Stockmann Delicatessen business operations in Finland were sold.

Real Estate has established its position during its brief period of operation, continuing its strong and steady performance. The fair value of the properties increased by EUR 22.9 million during the year. The occupancy rate was 99.7% and the net rental yield from the properties was 5.4%. Operating profit increased by EUR 7.9 million, with fair value gain of investment properties contributing EUR 4 million.

The shared goal of Real Estate and Stockmann Retail is to offer a first-class and inspiring shopping experience to the customers. Real Estate has expanded the selection in the department stores by offering the customers numerous new brands and inspirational service concepts over the past few years. The department stores' offering now includes a wider variety of watches and jewellery, toys, furniture and café and restaurant services, to name a few.

In addition to maximising the value of the properties owned by Stockmann, the division is responsible for property management at all the department stores and for subleasing in leased premises.

5
PROPERTIES

4
COUNTRIES

REVENUE / EUR mill.

67.1
60.1 (2016)

OPERATING RESULT / EUR mill.

29.0
21.1 (2016)

NET OPERATING INCOME / EUR mill.

50.6
44.4 (2016)

Stockmann-owned properties

FAIR VALUE
OF PROPERTIES / EUR mill.

973.0
950.1 (2016)

OCCUPANCY RATE

99.7%
99.1 (2016)

Terraces
above
the roofs

✓ The trendy Roof restaurant was opened on the roof of the Helsinki city centre department store in May. Featuring the best view in Helsinki, the open-air restaurant offers the city's residents and visitors the opportunity to spend an enjoyable time in a unique milieu in the heart of Helsinki, at rooftop level. An open-air restaurant called Mademoiselle Café was also opened on the roof of the Tallinn department store in July. Both open-air restaurants achieved instant popularity once they were opened. ✓

BOARD OF DIRECTORS



READ MORE

Details as of 1 February 2018. Further information on the members of the Board of Directors and the Management Team, their remuneration and share ownership is available in the Corporate Governance review at year2017.stockmanngroup.com

1. JUKKA HIENONEN
b. 1961
Finnish citizen
M.Sc.(Econ.)
Chairman of the Board
Professional Board member

2. LEENA NIEMISTÖ
b. 1963
Finnish citizen
D.Med.Sc.
Vice Chairman of the Board
Professional Board member

3. KAJ-GUSTAF BERGH
b. 1955
Finnish citizen
LL.M., B.Sc.(Econ.)
Managing Director,
Föreningen
Konstsamfundet r.f.

4. ESA LAGER
b. 1959
Finnish citizen
LL.M., M.Sc.(Econ.)
Professional Board member

5. SUSANNE NAJAFI
b. 1981
Swedish citizen
M.Sc.(Econ.)
Investor, advisor in
e-commerce

6. MICHAEL ROSENLEW
b. 1959
Finnish citizen
M.Sc.(Econ.)
Professional Board member

7. PER SJÖDELL
b. 1972
Swedish citizen
M.Sc.(Econ.)
Professional Board member

8. DAG WALLGREN
b. 1961
Finnish citizen
M.Sc.(Econ.)
Managing Director,
Svenska litteratursällskapet i Finland r.f.

PERSONNEL REPRESENTATIVES

9. RITA LÖWENHILD*
b. 1952
Finnish citizen
Chief shop steward

10. MINNA SALO**
b. 1967
Finnish citizen
Development Manager, ICT

* elected by Stockmann's Group Council ** elected by Stockmann's senior salaried employees

MANAGEMENT TEAM



Susanne Ehnåbåge, M.Sc. (Econ.), b. 1979, was appointed CEO of Lindex on 10 January 2018. She will start at Lindex at the latest in August 2018. She will also be a member of the Stockmann Management Team.

- | | | | | | |
|--|---|---|--|---|---|
| <p>1. LAURI VEIJALAINEN
b. 1968
Finnish citizen
B.Sc.(Geog.), MBA
CEO</p> | <p>2. MIKKO HUTTUNEN
b. 1968
Finnish citizen
M.Sc.(Econ.)
Director of Human Resources</p> | <p>3. KAI LAITINEN
b. 1970
Finnish citizen
M.Sc.(Business Administration)
CFO</p> | <p>4. NORA MALIN
b. 1975
Finnish citizen
M.Sc.(Pol.)
Director, Corporate Development</p> | <p>5. JUKKA NAULAPÄÄ
b. 1966
Finnish citizen
LL.M.
Director, Legal Affairs</p> | <p>6. PETTERI NAULAPÄÄ
b. 1968
Finnish citizen
M.Sc.(Tech.)
CIO</p> |
| <p>7. MAIJU NISKANEN
b. 1977
Finnish citizen
M.Sc.(Econ.)
Director, Store Operations</p> | <p>8. ELISABETH PEREGI
b. 1971
Swedish citizen
M.Sc.(Econ.)
Interim CEO, Lindex</p> | <p>9. ANNA SALMI
b. 1979
Finnish citizen
M.Sc.(Econ.)
Chief Customer Officer</p> | <p>10. BJÖRN TEIR
b. 1969
Finnish citizen
M.Sc.(Pol.)
Director, Real Estate</p> | <p>11. TOVE WESTERMARCK
b. 1968
Finnish citizen
M.Sc.(Econ.)
Director, Supply Chain</p> | |

SHARES AND SHAREHOLDERS

The share capital of Stockmann plc is divided into Series A and Series B shares. Series A carry ten votes and Series B one vote. The par value of both series of shares is EUR 2.00 and the shares of both series entitle their holders to an equal dividend.

Share facts 31 December 2017

LISTED ON
NASDAQ HELSINKI

TRADING CODES
SERIES A: STCAS
SERIES B: STCBV

TOTAL AMOUNT OF SHARES:
SERIES A: 30 530 868
SERIES B: 41 517 815
TOTAL: 72 048 683

REGISTERED SHAREHOLDERS

46 672

MARKET
CAPITALISATION / EUR mill.

321.0

MAJOR SHAREHOLDERS

		Percentage of shares %	Percentage of votes %
1	HC Holding Oy Ab	11.7	10.7
2	Föreningen Konstsamfundet Grouping	9.4	15.1
3	Varma Mutual Pension Insurance Company	9.1	5.4
4	Society of Swedish Literature in Finland	7.6	15.7
5	Niemistö Kari	5.8	9.4
6	Stiftelsen för Åbo Akademi	4.2	6.7
7	Etola Group	4.2	6.1
8	The State Pension Fund	2.3	0.5
9	Samfundet Folkhälsan i svenska Finland r.f	2.2	2.7
10	Ilmarinen Mutual Pension Insurance Company	2.0	0.9
11	Jenny ja Antti Wihuri Foundation	1.9	2.1
12	Inez och Julius Polins Fond	1.5	0.8
13	Wilhelm och Else Stockmanns Stiftelse	1.1	2.2
14	Etera Mutual Pension Insurance Company	0.9	0.2
15	Helene och Walter Grönqvists Stiftelse	0.7	1.5
16	William Thuring's Stiftelse	0.5	0.7
17	City of Turku	0.4	0.1
18	Taaleritehdas Arvo Markka Osake Fund	0.4	0.1
19	Danske Invest Finnish Institutional Equity Fund	0.4	0.1
20	Brita Maria Renlunds minne Foundation	0.4	0.8
	Others	33.3	18.2
TOTAL		100.0	100.0

31 December 2017

OWNERSHIP STRUCTURE

	Number	Share- holders %	Percentage of shares %	Percentage of votes %
Households	45 433	97.3	23.2	20.8
Private and public corporations	762	1.6	20.3	20.1
Foundations and associations	280	0.6	45.5	56.1
Nominee registrations incl. foreign shareholders	173	0.4	7.5	2.2
Financial and insurance companies	24	0.1	3.5	0.8
TOTAL	46 672	100.0	100.0	100.0

31 December 2017

NUMBER OF SHARES

	Number	Share- holders %	Percentage of shares %	Percentage of votes %
1-100	30 961	66.3	1.7	0.6
101-1000	13 005	27.9	6.1	4.4
1 001-10 000	2 478	5.3	8.5	5.6
10 001-100 000	190	0.4	7.3	3.8
100 001-1 000 000	25	0.1	11.6	13.5
1 000 001-	13	0.0	64.8	72.1
TOTAL	46 672	100.0	100.0	100.0

31 December 2017

 **READ MORE**

stockmanngroup.com/investors



Annual General Meeting

The 2018 Annual General Meeting of the shareholders of Stockmann plc will be held on 22 March 2018 at 14:00 in the Concert Hall of Finlandia Hall, Mannerheimintie 13, Helsinki, Finland. Registration is due by 13 March 2018 at 16:00. Read more on matters related to the AGM at stockmanngroup.com:

- Notice to the AGM
- Registration for the AGM
- Proposals for the AGM

The Annual General Meeting approves the company's annual financial statements, decides on the dividend and the election of members of the Board of Directors, among other things.

IR CALENDAR IN 2018

22 March 2018

Annual General Meeting

27 April 2018

January-March interim report

16 August 2018

January-June half year report

26 October 2018

January-September interim report

CONTACT INFORMATION

Corporate Management

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Tel. +358 9 1211

Stockmann Retail, Real Estate & Group's shared functions

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FI-00381 Helsinki, Finland
Tel. +358 9 1211

Contact information for the purchasing offices

stockmanngroup.com

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Media Desk, tel. +358 50 389 0011
(9 a.m.-4 p.m. on working days)
info@stockmann.com
investor.relations@stockmann.com

stockmann.com

Customer service:
asiakaspalvelu@stockmann.com
Tel. +358 9 1211

Contact information for the department stores:

Finland: stockmann.com
Estonia: stockmann.ee
Latvia: stockmann.lv

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LINDEX

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TWITTER: twitter.com/lindexofficial

YOUTUBE: youtube.com/lindex



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