INTERIM MANAGEMENT STATEMENT Q3 2020

STOCKMANN

STOCKMANN plc. Interim Management Statement 30.10.2020 at 8:00 EET

Stockmann Group's third-quarter operating result improved due to strong performance especially in Lindex

July–September 2020

- Consolidated revenue was EUR 207.6 million (225.3), down 6.8% in comparable currency rates.
- Gross margin was 57.4 % (56.4).
- Operating result was EUR 11.7 million (2.1).
- The adjusted operating result was EUR 13.9 million (5.4).
- Earnings per share were EUR -0.02 (-0.27).
- Adjusted earnings per share were EUR -0.01 (-0.23).

January–September 2020:

- Consolidated revenue was EUR 558.7 million (674.8), down 16.1% in comparable currency rates.
- Gross margin was 55.3% (56.2).
- Operating result was EUR -21.9 million (-9.1).
- The adjusted operating result was EUR -17.3 million (1.0).
- Earnings per share were EUR -0.80 (-0.83).
- Adjusted earnings per share were EUR -0.74 (-0.69).
- Stockmann plc filed for corporate restructuring on 6 April 2020 (Stock Exchange Release 6 April 2020).

Updated guidance for 2020:

The COVID-19 pandemic has a significant negative impact on the entire Stockmann Group's business operations. The fourth quarter is associated with greater uncertainty than normal due to the coronavirus situation. The revenue for the year 2020 will be on a lower level than in the previous year and the operating result will be loss-making.

CEO Jari Latvanen:

Stockmann Group showed strong performance in both Lindex and Stockmann divisions as a result of enhanced sales activities as well as implemented cost efficiency measures. Under the current exceptional circumstances in the operating environment, Stockmann Group performed well during the period. Despite the decline in revenue the Stockmann Group´s operating profit improved and was EUR 11.7 million and the cash amounted to EUR 132 million.

Visitor trends in the brick and mortar stores started to recover towards a normal level during the third-quarter until the changes resulting from the COVID-19 pandemic affected the business at the end of the period. The coronavirus pandemic is still the main reason for the decline in sales despite the solid growth trend in digital sales.

The third-quarter result shows that the new Stockmann Group's strategy works well also in exceptional circumstances. The transformation is proceeding according to the renewed strategy and that the company is agile to adapt to changes in the international operating environment. Stockmann Group will continue adapting the cost structure in views of the situation in our operating environment.

Lindex continued its digital expansion and launched on Zalando. Launch of the new underwear brand called Closely in which Lindex has been a partner and an investor since the project started two years ago. As part of efforts to explore new business models and ways of prolonging the lifetime of the garments Lindex is testing second-hand sales of kids' outerwear in some selected stores. Lindex division initiated a cost saving programme to achieve a reduction of approximately EUR 14.5 million.

Stockmann division updated its business strategy during the period according to the current situation. The target is to be able to respond to changes in the operating environment and consumer behaviour by focusing on customer relationships and loyalty, developing an omnichannel customer experience, inspiring customers in the selected categories: fashion, beauty, home, food and beverages, improving a customer-centric culture and concentrating on profitable business. Stockmann division continued renewals in several department stores during the third quarter. Stockmann's premium position was further strengthened by adding several designer brands. Additionally a new natural cosmetics department in the Helsinki Flagship was opened. Stockmann division also launched two new collections for its own brands.

Rental negotiations for Stockmann division's department stores will continue targeting to a lower cost level according to the current market level. Stockmann division is also continuing to renew its operations and improving efficiency in processes.

The corporate restructuring administrator's report of Stockmann plc's assets, liabilities and other undertakings, and on the circumstances that affect the financial position of the company and its expected development, states that the preconditions for viable business exist and a solid restructuring programme can be established. The proposal for the restructuring programme is in process and the restructuring programme draft will be filed by 11 December 2020.

KEY FIGURES

	7–9/2020	7–9/2019	**1–9/2020**	1–9/2019	1–12/2019
Revenue, EUR mill.	**207.6**	225.3	**558.7**	674.8	960.4
Gross margin, %	**57.4**	56.4	**55.3**	56.2	56.3
Operating result (EBIT), EUR mill.	**11.7**	2.1	**-21.9**	-9.1	13.3
Adjusted operating result (EBIT), EUR mill.	**13.9**	5.4	**-17.3**	1.0	29.0
Result for the period, EUR mill.	**1.1**	-18.2	**-51.2**	-56.1	-54.3
Earnings per share, undiluted and diluted, EUR	**-0.02**	-0.27	**-0.80**	-0.83	-0.84
Personnel, average	**6 104**	7 163	**6 104**	7 028	7 002
Cash flow from operating activities, EUR mill.	**23.3**	4.4	**109.2**	32.3	102.3
Capital expenditure, EUR mill.	**4.2**	8.5	**14.6**	24.2	33.8
Equity per share, EUR			**10.39**	10.68	11.12
Net gearing, %			**104.4**	125.8	112.4
Equity ratio, %			**35.8**	36.3	38.1

CORPORATE RESTRUCTURING PROCEEDINGS

The coronavirus epidemic, which broke out in Europe after the first week of March, caused significant changes in Stockmann Group's operating environment with customer volumes decreasing suddenly. Despite continued strong growth in the online sales of Stockmann division and Lindex, the online sales growth is not sufficient to compensate for the significant decline in customer volumes in these exceptional circumstances.

Since it is the view of the management and the Board of Directors that the company's business remains viable and can be restored to a sound basis, the Board of Directors of Stockmann decided, taking into consideration the company's financial structure, to file for corporate restructuring of the parent company Stockmann plc on 6 April 2020. The coronavirus and the restrictions it has caused have, and will continue to have, a significant effect on the company's customer volumes, cash flow and result.

Group subsidiaries, including Stockmann department stores in the Baltic countries and Lindex, are not in the scope of the restructuring proceedings.

On 8 April 2020, the District Court of Helsinki ruled to initiate the corporate restructuring proceedings of Stockmann plc in accordance with the Restructuring of Enterprises Act. The District Court appointed Attorney Jyrki Tähtinen of Borenius Attorneys Ltd as an administrator of the restructuring proceedings.

On 17 August 2020, the administrator of the corporate restructuring proceedings of Stockmann plc, Attorney Jyrki Tähtinen, in accordance with the Finnish Restructuring of Enterprises Act, provided all parties concerned a report of Stockmann plc's assets, liabilities and other undertakings (as per 8 April 2020) and on the circumstances that affect the financial position of the company and its expected development. The administrator stated that the preconditions for viable business exist and a solid restructuring programme can be established.

COVID-19

The coronavirus epidemic, which broke out in Europe after the first week of March, caused significant changes in Stockmann Group's operating environment and customer volumes decreased suddenly. The negative effects of the coronavirus epidemic on the market environment persisted in the second quarter. The national restrictions were partially lifted in May, which was reflected as positive development in customer flows at Stockmann department stores and Lindex stores. During the third quarter, Stockmann's business operations normalised gradually. Visitor trends in the brick and mortar stores started to recover towards a normal level during the third-quarter until the changes resulting from the COVID-19 pandemic affected the business at the end of the period. Stockmann's and Lindex's online stores were both performing very well with improved sales growth. During the third quarter, Lindex online sales almost fully compensated for the decline in the sales of the brick and mortar stores.

During the third quarter other operating income came to EUR 2.8 million as a result of public funding related to the COVID-19 situation, which has been received mainly by Lindex, in various countries from government authorities or other corresponding public bodies. Other operating income for the period was EUR 8.1 million.

REVENUE, EARNINGS AND FINANCING

The Interim Management Statement has been prepared in compliance with the recognition and valuation principles of IFRS but not all the requirements of IAS 34 have been complied with. The accounting policies and calculation methods applied are the same as those in the 2019 financial statements. The figures are unaudited.

July–September 2020

Stockmann Group's third-quarter revenue amounted to EUR 207.6 million (225.3). Revenue was down by 7.8% from the previous year in euros, or down by 6.8% in comparable currency rates against Swedish krona.

Gross profit was EUR 119.1 million (127.0) and the gross margin was 57.4% (56.4). The gross margin was up in Stockmann but down in Lindex.

Operating costs were down by EUR 14.9 million, or down by EUR 13.8 million including adjustments related to restructuring and other transformation measures. Operating costs totalled EUR 75.9 million (90.8).

The operating result for the third quarter was EUR 11.7 million (2.1). The operating result increased in Lindex but declined in Stockmann. The adjusted operating result for the third quarter was EUR 13.9 million (5.4).

Net financial expenses amounted to EUR 9.9 million (13.1). The result before taxes was EUR 1.8 million (-11.0).

January–September 2020

Stockmann Group's revenue for the period amounted to EUR 558.7 million (674.8). Revenue was down by 17.2% from the previous year in euros, or down by 16.1% in comparable currency rates against Swedish krona.

Gross profit was EUR 309.2 million (379.3) and the gross margin was 55.3% (56.2). The gross margin was down in both Lindex and Stockmann.

Operating costs were down by EUR 50.4 million, or down by EUR 45.0 million including adjustments related to restructuring and other transformation measures. Operating costs totalled EUR 233.1 million (283.6).

The operating result for the period was EUR -21.9 million (-9.1).

The adjusted operating result for the period was EUR -17.3 million (1.0).

Net financial expenses amounted to EUR 29.4 million (40.4). The result before taxes was EUR -51.3 million (-49.5).

Taxes for the period totalled EUR 0.1 million (-6.7).

The result for period was EUR -51.2 million (-56.1). Earnings per share for the period were EUR -0.80 (-0.83). Adjusted earnings per share were EUR -0.74 (-0.69). Equity per share was EUR 10.39 (10.68).

At the time of initiation of the restructuring proceedings, the company's existing external debt financing of EUR 594.7 million, consisting of a bond, bank financing, commercial papers and a hybrid bond, was frozen and is included in the restructuring debt. At the end of September, interest-bearing liabilities were EUR 488.0 million (464.8) and including IFRS 16 lease liabilities, totalled EUR 923.0 million (998.2).

Lease liabilities were EUR 435.1 million, of which EUR 164.7 million were related to Stockmann and EUR 270.4 million to Lindex (1 January 2020: Stockmann 235.1, Lindex 294.7; and 30 September 2019: Stockmann 238.7, Lindex 294.7). The main reason to the decline in the lease liabilities was changes in Stockmann Division's rental agreements. Due to the new rental agreements, Stockmann's lease liabilities decreased by EUR 47.0 million.

The Group's cash and cash equivalents totalled EUR 132.0 million (12.2) at the end of September.

REVENUE AND EARNINGS BY DIVISION

Stockmann Group's reporting segments are Lindex and Stockmann divisions. The segments are reported in accordance with IFRS 16. Unallocated items include Corporate Management, Group Finance Management, Group Treasury and Internal Audit.

LINDEX

Lindex	7–9/2020	7–9/2019	1–9/2020	1–9/2019	1–12/2019
Revenue, EUR mill.	**146.0**	147.6	**367.6**	416.1	575.8
Gross margin, %	**60.8**	61.9	**61.8**	62.0	62.7
Operating result, EUR mill.	**21.5**	13.4	**23.5**	22.5	38.2
Adjusted operating result, EUR mill.	**22.3**	13.8	**24.3**	22.8	40.9
Capital expenditure, EUR mill.	**1.5**	4.6	**6.7**	14.0	20.3

July–September 2020

Lindex's revenue for the quarter was down by 1.1%, to EUR 146.0 million (147.6), or up by 0.8% in comparable currency rates. Sales in the brick and mortar stores declined due to the corona virus situation, but were almost fully compensated for by sales in the online store. Growth in the online sales was 103.5%, and accounted for 13.2% (6.4) of total sales in the quarter.

The gross margin was 60.8 % (61.9). The gross margin decreased due to higher markdowns since the summer sale was moved to a later part of summer compared with the previous year and also due to changes in the channel mix.

Operating costs decreased by EUR 11.2 million, to EUR 47.1 million (58.3). The costs declined mainly due to quick and efficient cost saving actions.

The operating result for the quarter increased by EUR 8.1 million to EUR 21.5 million (13.4).

January–September 2020

Lindex's revenue declined by 11.7%, to EUR 367.6 million (416.1). In comparable currency rates, revenue was down by 9.7%. The corona virus situation reduced traffic in the brick and mortar stores in all countries, especially in March and April when stores were closed in 15 of Lindex's 18 markets. Online sales were strong, but this could not fully compensate for the decline in the period. Growth in the online sales was 88.7%, and accounted for 13.3% (6.3) of total sales in the period.

The gross margin was 61.8% (62.0) for the period.

Operating costs decreased by EUR 31.9 million, to EUR 141.9 million (173.8). The costs declined mainly due to cost savings related to the coronavirus epidemic.

The operating result for the period was EUR 23.5 million (22.5).

Store network and digital sales

Lindex had 459 stores in total at the end of the third quarter: 420 own stores and 39 franchise stores. Lindex opened 3 stores and closed 2 stores during the quarter. In addition to Lindex own webstore, the division is also selling its products in third parties' digital platforms.

STOCKMANN

Stockmann	7–9/2020	7–9/2019	1–9/2020	1–9/2019	1–12/2019
Revenue, EUR mill.	**61.6**	77.7	**191.1**	258.7	384.7
Gross margin, %	**49.3**	45.9	**43.0**	46.9	47.1
Operating result, EUR mill.	**−7.5**	−6.9	**−38.5**	−21.4	−10.5
Adjusted operating result, EUR mill.	**−7.5**	−6.8	**−38.5**	−17.4	−7.9
Capital expenditure, EUR mill.	**2.8**	5.5	**7.9**	10.2	13.5

July–September 2020

Stockmann division's third-quarter revenue amounted to EUR 61.6 million (77.7). Revenue was down by 20.7%. The visitor trend started to recover in the third quarter, but the ongoing coronavirus situation is still the main reason for the decline in sales. Growth in the online store was 111.0%, and the online store accounted for 7.1% (2.7) of total sales in the quarter.

Revenue in Finland came to EUR 47.1 million (60.9), a decrease of 22.7% from the previous year. Revenue in the Baltic department stores fell by 13.3%, to EUR 14.6 million (16.8).

The gross margin was 49.3% (45.9). The gross margin increased mainly due to a better sales mix and because there were no heavy clearance sales during the quarter like in the previous year.

Operating costs declined by EUR 10.2 million, to EUR 25.5 million (35.7) due to lower personnel costs and other Group function costs adapted to lower sales performance because of the coronavirus situation.

The operating result for the third quarter was EUR -7.5 million (-6.9).

January–September 2020

Stockmann division's revenue amounted to EUR 191.1 million (258.7). Sales were approximately at the previous year's level in January and February but fell sharply thereafter due to the coronavirus situation, leading to a drop in revenue for the whole period. Growth in the online store was 107.1%.

Revenue in Finland amounted to EUR 147.4 million (202.7), a decrease of 27.3% from the previous year. Revenue in the Baltic department stores was down 22.0%, to EUR 43.7 million (56.0).

The gross margin was 43.0% (46.9). The gross margin declined mostly due to the coronavirus situation, which affected both the rental income from tenants and merchandise sales margin. The gross margin recovered in the third quarter, but not enough to compensate for the decline during the first half year.

Operating costs declined by EUR 24.9 million, to EUR 82.0 million (106.8) due to lower personnel costs and other Group function costs adapted to lower sales performance because of the coronavirus situation.

The operating result for the period was EUR -38.5 million (-21.4).

CHANGES IN MANAGEMENT

Lindex's CFO Annelie Forsberg was appointed as a member of Stockmann Group's Management Team as of 1 August 2020.

EVENTS AFTER THE REPORTING PERIOD

Stockmann division's Crazy Days campaign was held as an extended, 12-day-long online campaign from 30 September to 11 October 2020. The Crazy Days online store was successful and generated an online sales growth of 58%.

BUSINESS CONTINUITY, RISKS AND FINANCING SITUATION

The view of the management and the Board of Directors is that Stockmann's business remains viable and can be restored to a sound basis. The coronavirus and the restrictions imposed because of it have had, and will continue to have, a material effect on the company's customer volumes, cash flow and result. Stockmann plc's decision to file for restructuring was supported by creditors representing more than half of the company's debts, and Stockmann will continue to have a constructive dialogue with its finance providers and other key stakeholders during the restructuring phase.

As a result of the filing for restructuring, the District Court ordered a temporary prohibition of collection and enforcement for Stockmann plc, and approximately EUR 645 million of the Group's external debts (interest-bearing loans including the hybrid bond which is treated as equity, trade payables and other short-term liabilities) are subject to restructuring. The situation caused uncertainty among suppliers, but business relations are gradually returning to normal. The measures to adjust the cost structure and product intake due to the coronavirus have been implemented from the second quarter onwards. These measures support the cash flow.

As part of the initiation of the restructuring proceedings, the financing banks that served as derivative counterparties closed all of Stockmann plc's derivative contracts on 6 April 2020. The realised foreign exchange gains at the time the contracts were closed, totalling EUR 8.9 million, have been treated as current receivables. The Group does not currently hedge against risks arising from fluctuations in foreign exchange rates or interest rate risks.

The prolonged effects of the coronavirus will have an impact on Stockmann's liquidity and financial position and the value of its assets. The management and the Board of Directors regularly assess the operational and strategic risks associated with the situation. Risks are also assessed as part of the ongoing restructuring proceedings.

By 28 December 2020 Stockmann will provide the Swedish tax authorities with a security which will cover the EUR 26 million in tax and its interest, which is related to the tax authorities' decision to reassess Stockmann Sverige AB's taxes for the years 2013–2017. In the third quarter Stockmann received decisions from the Swedish tax authorities on additional tax for the years 2018 and 2019 totalling around EUR 8 million. The total additional tax for the years 2013-2019 is approximately EUR 34 million, which is fully recognized as a liability in the consolidated balance sheet.

Stockmann is preparing a draft restructuring programme. As part of the preparation of the programme, Stockmann will assess sale and leaseback alternatives for its real estate properties. The process concerning strategic alternatives for the ownership of Lindex is currently on hold.

UPDATED GUIDANCE FOR 2020

The COVID-19 pandemic has a significant negative impact on the entire Stockmann Group's business operations. The fourth quarter is associated with greater uncertainty than normal due to the coronavirus situation. The revenue for the year 2020 will be on a lower level than in the previous year and the operating result will be loss-making.

Earlier guidance for 2020:
Due to the rapid changes that took place in the business environment, Stockmann's previous guidance, published on 13 February 2020, is no longer valid. Stockmann will provide a new guidance once visibility in our markets is clearer.

OUTLOOK FOR 2020

The outbreak of the coronavirus epidemic has caused significant changes in Stockmann Group's operating environment, and it has had a material impact on the company's customer volumes and cash flow.

Uncertainty in the global economy is expected to persist throughout 2020, and the coronavirus pandemic is having a significant impact on the economy across the world. The retail market is expected to remain challenging due to changes in consumer behaviour and confidence, which are also affected by the coronavirus situation.

Stockmann is working on drawing up a draft restructuring programme, which according to the decision of the District Court, must be filed by 11 December 2020.

Helsinki, 29 October 2020

STOCKMANN plc
Board of Directors

FINANCIAL INFORMATION

The Interim Management Statement is prepared in compliance with the recognition and valuation principles of IFRS but all the requirements of IAS 34 are not complied with. The accounting policies and calculation methods applied are the same as those in the 2019 financial statements. The figures are unaudited.

CONSOLIDATED INCOME STATEMENT

EUR mill.	**1.1.–30.9.2020**	1.1.–30.9.2019	1.1.–31.12.2019
REVENUE	**558.7**	674.8	960.4
Other operating income	**8.1**	0.0	0.0
Materials and consumables	**−249.5**	−295.5	−419.5
Wages, salaries and employee benefit expenses	**−132.6**	−157.6	−211.1
Depreciation, amortisation and impairment losses	**−106.1**	−104.8	−139.6
Other operating expenses	**−100.6**	−126.0	−176.9
Total expenses	**−588.7**	−683.9	−947.1
OPERATING PROFIT/LOSS	**−21.9**	−9.1	13.3
Financial income	**4.9**	0.8	1.1
Financial expenses	**−34.4**	−41.2	−53.7
Total financial income and expenses	**−29.4**	−40.4	−52.7
PROFIT/LOSS BEFORE TAX	**−51.3**	−49.5	−39.3
Income taxes	**0.1**	−6.7	−14.9
NET PROFIT/LOSS FOR THE PERIOD	**−51.2**	−56.1	−54.3
Profit/loss for the period attributable to:			
Equity holders of the parent company	**−51.2**	−56.1	−54.3
Earnings per share, EUR:			
From the period result (undiluted and diluted)	**−0.80**	−0.83	−0.84

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR mill.	**1.1.–30.9.2020**	1.1.–30.9.2019	1.1.–31.12.2019
PROFIT/LOSS FOR THE PERIOD	**−51.2**	−56.1	−54.3
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Changes in revaluation surplus (IAS 16), before tax			5.1
Changes in revaluation surplus (IAS 16), tax			−1.0
Changes in revaluation surplus (IAS 16), net of tax			4.1
Items that may be subsequently reclassified to profit and loss			
Exchange differences on translating foreign operations, before tax	**6.0**	−11.8	−5.8
Exchange differences on translating foreign operations, net of tax	**6.0**	−11.8	−5.8
Cash flow hedges, before tax	**1.3**	0.9	−1.7
Cash flow hedges, tax		−0.2	
Cash flow hedges, net of tax	**1.3**	0.7	−1.7
Other comprehensive income for the period, net of tax	**7.3**	−11.1	−3.5
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**−43.9**	−67.2	−57.7
Total comprehensive income attributable to:			
Equity holders of the parent company	**−43.9**	−67.2	−57.7

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR mill.	**30.9.2020**	30.9.2019	31.12.2019
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Goodwill	**500.6**	494.7	506.6
Trademark	**86.0**	85.0	87.0
Intangible rights	**29.8**	40.6	39.0
Other intangible assets	**1.5**	1.9	1.8
Advance payments and construction in progress	**2.9**	2.1	2.6
Intangible assets, total	**620.8**	624.3	637.0
Property, plant and equipment			
Land and water	**100.6**	102.5	100.6
Buildings and constructions	**552.2**	564.1	567.1
Machinery and equipment	**45.9**	57.7	55.4
Modification and renovation expenses for leased premises	**4.4**	5.1	4.9
Right-of-use assets	**403.2**	491.3	485.7
Advance payments and construction in progress	**12.2**	1.3	5.6
Property, plant and equipment, total	**1 118.5**	1 222.0	1 219.3
Investment properties	**0.5**	0.5	0.5
Non-current receivables	**1.4**	0.4	0.4
Non-current lease receivables	**8.0**	16.0	15.7
Other investments	**0.2**	0.3	0.3
Deferred tax assets	**17.2**	16.8	16.3
NON-CURRENT ASSETS, TOTAL	**1 766.6**	1 880.3	1 889.4
CURRENT ASSETS			
Inventories	**150.1**	179.2	145.8
Current receivables			
Interest-bearing receivables	**0.1**	0.1	0.1
Lease receivables	**0.9**	1.3	1.3
Income tax receivables	**0.4**	4.2	4.6
Non-interest-bearing receivables	**41.8**	42.5	37.1
Current receivables, total	**43.3**	48.1	43.0
Cash and cash equivalents	**132.0**	12.2	24.9
CURRENT ASSETS, TOTAL	**325.4**	239.4	213.7
ASSETS, TOTAL	**2 092.0**	2 119.8	2 103.2

EUR mill.	**30.9.2020**	30.9.2019	31.12.2019
EQUITY AND LIABILITIES			
EQUITY			
Share capital	**144.1**	144.1	144.1
Share premium fund	**186.1**	186.1	186.1
Revaluation surplus	**329.0**	333.6	329.0
Invested unrestricted equity fund	**250.4**	250.4	250.4
Other funds	**43.8**	44.9	42.5
Translation reserve	**−11.5**	−23.5	−17.5
Retained earnings	**−299.0**	−250.1	−239.6
Hybrid bond	**105.8**	84.3	105.8
Equity attributable to equity holders of the parent company	**748.8**	769.8	800.9
EQUITY, TOTAL	**748.8**	769.8	800.9
NON-CURRENT LIABILITIES			
Deferred tax liabilities	**124.8**	127.7	125.4
Non-current interest-bearing financing liabilities		420.8	364.5
Non-current lease liabilities	**352.5**	442.2	438.6
Non-current non-interest-bearing liabilities and provisions	**0.2**	2.3	1.6
NON-CURRENT LIABILITIES, TOTAL	**477.6**	993.1	930.0
CURRENT LIABILITIES			
Current interest-bearing financing liabilities	**488.0**	44.0	47.8
Current lease liabilities	**82.6**	91.1	91.2
Current non-interest-bearing liabilities			
Trade payables and other current liabilities	**252.6**	191.4	194.6
Income tax liabilities	**38.6**	27.8	37.4
Current provisions	**3.9**	2.5	1.1
Current non-interest-bearing liabilities, total	**295.1**	221.8	233.2
CURRENT LIABILITIES, TOTAL	**865.6**	356.9	372.2
LIABILITIES, TOTAL	**1 343.2**	1 350.0	1 302.3
EQUITY AND LIABILITIES, TOTAL	**2 092.0**	2 119.8	2 103.2

CONSOLIDATED CASH FLOW STATEMENT

EUR mill.	**1.1.–30.9.2020**	1.1.–30.9.2019	1.1.–31.12.2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/loss for the period	**–51.2**	–56.1	–54.3
Adjustments for:			
Depreciation, amortisation and impairment losses	**106.1**	104.8	139.6
Gains (-) and losses (+) of disposals of fixed assets and other non-current assets	**0.0**	0.9	0.7
Interest and other financial expenses	**34.4**	41.2	53.7
Interest income	**–4.9**	–0.8	–1.1
Income taxes	**–0.1**	6.7	14.9
Other adjustments	**2.8**	0.3	–1.2
Working capital changes:			
Increase (-) /decrease (+) in inventories	**–5.5**	–41.0	–5.3
Increase (-) / decrease (+) in trade and other current receivables	**–5.8**	2.6	8.0
Increase (+) / decrease (-) in current liabilities	**52.7**	15.2	–0.2
Interest expenses paid	**–24.4**	–42.8	–52.1
Interest received from operating activities	**0.7**	0.8	1.1
Other financing items from operating activities		–1.1	–1.4
Income taxes paid from operating activities	**4.5**	1.6	–0.3
Net cash from operating activities	**109.2**	32.3	102.3
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of tangible and intangible assets	**–14.3**	–25.2	–33.9
Proceeds from sale of tangible and intangible assets		139.7	139.7
Exchange rate gain on the hedge of a net investment and internal loan*)	**7.1**	9.9	11.1
Net cash used in investing activities	**–7.2**	124.4	116.8
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of hybrid bond			21.5
Proceeds from current liabilities	**53.3**	35.9	45.4
Repayment of current liabilities	**–45.4**	–226.9	–226.9
Proceeds from non-current liabilities	**75.4**	108.0	166.7
Repayment of non-current liabilities	**–6.4**	–49.4	–165.1
Payment of lease liabilities	**–61.1**	–55.7	–73.9
Interest on hybrid bond	**–8.2**	–6.6	–6.6
Net cash used in financing activities	**7.6**	–194.7	–238.8
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**109.6**	–37.9	–19.8
Cash and cash equivalents at the beginning of the period	**24.9**	43.4	43.4
Cheque account with overdraft facility	**–2.3**	–0.4	–0.4
Cash and cash equivalents at the beginning of the period	**22.7**	43.0	43.0
Net increase/decrease in cash and cash equivalents	**109.6**	–37.9	–19.8
Effects of exchange rate fluctuations on cash held	**–0.2**	–0.8	–0.6
Cash and cash equivalents at the end of the period	**132.0**	12.2	24.9
Cheque account with overdraft facility		–7.9	–2.3
Cash and cash equivalents at the end of the period	**132.0**	4.3	22.7

*Realised foreign exchange rate gain on the hedge of a net investment in a foreign operation and internal loan.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR mill.	Share capital	Share premum fund	Revaluation surplus	Hedging reserve	Reserve for un-restricted equity	Other reserves	Translation differences	Retained earnings	Total	Hybrid bond	**Total**
EQUITY 1.1.2019	144.1	186.1	358.2	0.4	250.4	43.8	−11.6	−212.1	759.4	84.3	**843.7**
Profit/loss for the period								−56.1	−56.1		**−56.1**
Changes in revaluation surplus (IAS 16)											
Exchange differences on translating foreign operations							−11.8		−11.8		**−11.8**
Cash flow hedges				0.7					0.7		**0.7**
Total comprehensive income for the period, net of tax				0.7			−11.8	−56.1	−67.2		**−67.2**
Disposal of revalued assets			−24.7					24.7			
Interest paid on hybrid bond								−6.6	−6.6		**−6.6**
Other changes								0.0	0.0		**0.0**
Other changes in equity total			−24.7					18.1	−6.6		**−6.6**
EQUITY 30.9.2019	144.1	186.1	333.6	1.1	250.4	43.8	−23.5	−250.1	685.5	84.3	**769.8**

EUR mill.	Share capital	Share premum fund	Revaluation surplus	Hedging reserve	Reserve for un-restricted equity	Other reserves	Translation differences	Retained earnings	Total	Hybrid bond	**Total**
EQUITY 1.1.2019	144.1	186.1	358.2	0.4	250.4	43.8	−11.6	−212.1	759.4	84.3	**843.7**
Profit/loss for the period								−54.3	−54.3		**−54.3**
Changes in revaluation surplus (IAS 16)			4.1						4.1		**4.1**
Exchange differences on translating foreign operations							−5.8		−5.8		**−5.8**
Cash flow hedges				−1.7					−1.7		**−1.7**
Total comprehensive income for the period, net of tax			4.1	−1.7			−5.8	−54.3	−57.7		**−57.7**
Proceeds from hybrid bond										22.2	**22.2**
Hybrid bond expenses										−0.7	**−0.7**
Disposal of revalued assets			−24.7					24.7			
Interest paid on hybrid bond								−6.6	−6.6		**−6.6**
Other changes			−8.6					8.6	0.0		**0.0**
Other changes in equity total			−33.3					26.7	−6.6	21.5	**15.0**
EQUITY 31.12.2019	144.1	186.1	329.0	−1.3	250.4	43.8	−17.5	−239.6	695.0	105.8	**800.9**

EUR mill.	Share capital	Share premum fund	Revaluation surplus	Hedging reserve	Reserve for un-restricted equity	Other reserves	Translation differences	Retained earnings	Total	Hybrid bond	**Total**
EQUITY 1.1.2020	144.1	186.1	329.0	−1.3	250.4	43.8	−17.5	−239.6	695.0	105.8	**800.9**
Profit/loss for the period								−51.2	−51.2		**−51.2**
Exchange differences on translating foreign operations							6.0		6.0		**6.0**
Cash flow hedges				1.3					1.3		**1.3**
Total comprehensive income for the period, net of tax				1.3			6.0	−51.2	−43.9		**−43.9**
Interest paid on hybrid bond								−8.2	−8.2		**−8.2**
Other changes in equity total								−8.2	−8.2		**−8.2**
EQUITY 30.9.2020	144.1	186.1	329.0		250.4	43.8	−11.5	−299.0	642.9	105.8	**748.8**

MATURITY TABLE OF FINANCIAL LIABILITIES

EUR mill.	Carrying amount	2020 *	2021	2022	2023	2024+	Total
Bonds	249.1	261.9					261.9
Loans from financial institutions	185.4	189.9					189.9
Other interest-bearing liabilities	53.5	53.7					53.7
Trade payables and other current liabilities	252.6	249.4					249.4
Lease liability	435.1	36.8	97.1	85.3	73.6	213.7	506.5
Total	**1 175.6**	**791.6**	**97.1**	**85.3**	**73.6**	**213.7**	**1 261.3**

Amounts include accrued interest as of 31.12.2020.
* Liabilities within restructuring procedure are classified as current liabilities, as there is uncertainty of their maturity and payment amounts.
The payment arrangements for the restructuring debt will be agreed in the restructuring program, which has not yet been prepared.
The contractual maturities and the essential terms of the financing debts are presented in the Financial review 2019.

RESTRUCTURING DEBT

EUR mill.	**30.9.2020**
Current interest-bearing restructuring debt	
Secured	**435.4**
Unsecured	**53.5**
Current interest-bearing restructuring debt total*	**488.9**
Current non-interest-bearing restructuring debt	
Secured	**7.1**
Unsecured	**51.5**
Current non-interest-bearing restructuring debt total**	**58.6**
Current restructuring debt total	**547.5**
Hybrid Bond (booked to Equity) + interest for the period 31.1. - 8.4.2020	**108.1**
Restructuring debt total	**655.6**

* Included in consolidated statement of financial position item Current interest-bearing financing liabilities EUR 488.0 mill. Doesn't include periodisation of loan arrangement fees of EUR 0.9 mill.
** Included in consolidated statement of financial position item Current non-interest-bearing liabilities.
Stockmann plc's intra-group restructuring debt amounts to EUR 81.7 mill.

FINANCIAL INCOME AND EXPENSES

EUR mill.	**30.9.2020***	30.9.2019	31.12.2019
Interest income on bank deposits, other investments and currency derivatives	**0.0**	0.1	0.2
Interest income from lease contracts	**0.6**	0.7	0.9
Other financial income	**4.3**		
Financial income, total	**4.9**	0.8	1.1
Interest expenses on financial liabilities measured at amortised cost	**−15.2**	−19.2	−24.9
Interest expenses from lease contracts	**−15.4**	−20.5	−27.0
Change in fair value of financial assets at fair value through profit or loss	**0.0**	−0.1	−0.1
Other financial expenses	**−3.7**	−1.1	−1.4
Foreign exchange differences	**0.0**	−0.3	−0.3
Financial expenses, total	**−34.4**	−41.2	−53.7
Financial income and expenses, total	**−29.4**	−40.4	−52.7

*Includes EUR 4.3 mill. gain on the changes in the lease agreements of office premises, EUR 3.3 mill. interest expenses classified as restructuring debt and EUR 3.7 mill. amendment fees according to the financing agreement, which was concluded in 2019.

NOTES TO THE INTERIM MANAGEMENT STATEMENT, CONDENSED

ACCOUNTING POLICIES

The Interim Management Statement is prepared in compliance with the recognition and valuation principles of IFRS but all the requirements of IAS 34 are not complied with. The accounting policies and calculation methods applied are the same as those in the 2019 financial statements. The figures are unaudited.

Corporate restructuring proceedings

The coronavirus epidemic (COVID-19), which broke out in Europe in March, caused significant changes in the Stockmann Group's operating environment and there was a sudden decrease in customer volumes. Since the company's business remains viable and can be restored to a sound basis, the Board of Directors of Stockmann plc decided to file for corporate restructuring proceedings with the District Court of Helsinki on 6 April 2020. On 8 April 2020, the District Court of Helsinki ruled to initiate the corporate restructuring proceedings of Stockmann plc in accordance with the Restructuring of Enterprises Act. The District Court appointed Attorney Jyrki Tähtinen of Borenius Attorneys Ltd as administrator of the restructuring proceedings. According to the decision of the District Court, the draft restructuring programme must be prepared before 11 December 2020. The Annual General Meeting resolved on 4 June 2020 in favour of continuing the restructuring proceedings in accordance with the proposal of the Board of Directors. The Group's subsidiaries, i.e. the Stockmann department stores in the Baltic countries and Lindex, are not in the scope of the restructuring proceedings.

In restructuring proceedings under the Restructuring of Enterprises Act (47/1993), a company's business and debts may be organised and arranged. As a result of such restructuring proceedings, the company may be permitted to continue its operations or, if the proceedings fail, to file for bankruptcy. The most important duty of the administrator of the restructuring proceedings is to prepare a draft restructuring programme in cooperation with the various parties. Arrangements concerning the repayment of debts form a key part of the restructuring programme. Debts can be arranged by (i) changing the repayment schedule; (ii) allocating the payments made by the debtor primarily to the repayment of capital, after which they can be allocated to the costs of the debt, including interest; (iii) reducing the costs of the debt, including the interest rate; and (iv) reducing the amount of outstanding debt. The initiation of the restructuring proceedings does not mean that all of the debtor's debts will fall due for repayment. Under the Act, 'restructuring debt' refers to all debts that have arisen before a company files an application for restructuring proceedings. Debts that are not deemed restructuring debt will be repaid pursuant to their original terms and conditions.

The District Court of Helsinki has appointed a creditor committee that acts as the joint representative of the creditors in the restructuring proceedings of Stockmann plc. The creditor committee appointed by the District Court consists of representatives from the various creditor groups, including parties that have granted secured debt, other providers of financing as well as goods suppliers and lessors.

Note *Restructuring debt* presents an itemisation of the Stockmann Group's secured and unsecured restructuring debts and note *Maturity table of financial liabilities* presents the maturities of all the Group's debts as at 30 September 2020. The debts covered by the restructuring proceedings are classified as current liabilities because the restructuring programme in which the arrangement for the repayment of the restructuring debts will be agreed on has not yet been prepared, and the amounts of these debts to be repaid as well as their maturities involve a degree of uncertainty.

At the time of preparation of the Interim Management Statement, the company's restructuring programme has not yet been submitted to the District Court of Helsinki, nor has the District Court approved it, and therefore the Board of Directors of the company is not aware of the contents of the draft restructuring programme prepared by the administrator.

Transactions resulting from the corporate restructuring proceedings

To reduce costs, the company is actively engaged in negotiations with its lessors on the terms and conditions of its leases. The change in the lease in question has been treated in the Interim Management Statement by reducing the carrying amount of the right-of-use asset and redetermining the lease liability for the remaining lease period. Changes in the leases in question have reduced the carrying amount of the right-of-use assets by EUR 38.9 million and the lease liabilities by EUR 47.0 million in the consolidated balance sheet. The positive impact of the changes in leases, a total of EUR 4.3 million, has been recognised under financial income and expenses in the income statement.

Following the initiation of the restructuring proceedings, a few suppliers and lessors have presented Stockmann plc with some additional claims totalling around EUR 36 million. The largest of these additional claims are related to the termination of a long-term leases for premises in accordance with the Restructuring of Enterprises Act with a notice of two months. In the restructuring proceedings, these claims will be assessed as part of the entire restructuring process, and normally only a small fraction of the additional claims is included in the restructuring debt. For this reason, the company estimates that most of the claims presented are not eligible to be recognised as liabilities. To the extent that they are expected to be realized, based on the management's estimate, a provision has been recognised in the balance sheet on September 30, 2020.

As part of the initiation of the restructuring proceedings, the financing banks that served as derivative counterparties closed all of Stockmann plc's derivative contracts on 6 April 2020. The realised foreign exchange gains at the time the contracts were closed, totalling EUR 8.9 million, is treated as current receivables in the consolidated balance sheet. The Group does not currently hedge against risks arising from fluctuations in foreign exchange rates.

In the third quarter Stockmann plc's intra-group receivables and liabilities on 8 April 2020 have been netted as a part of the restructuring process. Stockmann plc's intra-group restructuring debt amount to EUR 81.7 million.

Accounting policies requiring management's judgment and key sources of uncertainty concerning estimates

Since the publication of the 2019 Annual Report, economic conditions in Europe have deteriorated significantly as a result of the outbreak of the coronavirus epidemic (COVID-19) in March. The coronavirus and the restrictions imposed because of it had a material impact on Stockmann's operating environment as well as the company's customer volumes and cash flows. Since we are unable to forecast the final duration and impacts of the epidemic, its effects on the actual results, financial position and cash flows could differ from the current estimates and assumptions made by the management.

As the Interim Management Statement is prepared in compliance with the recognition and valuation principles of IFRS, it has been necessary to make forward-looking estimates and assumptions. At the Interim Management Statement date, the assumptions are related particularly to the basis for continuity, valuations of assets, exercising lease options, contingent liabilities and provisions recognised.

Stockmann plc's subsidiary Stockmann Sverige AB has received tax reassessment decisions from the Swedish tax authorities regarding the right to deduct in Swedish taxation in 2013–2017 the interest expenses of the intragroup loan for the acquisition of AB Lindex. According to decisions, the company is requested to pay EUR 26 million in additional taxes, including related interest. Stockmann has appealed against decisions in Sweden to the local appellate court (Kammarrätten i Göteborg). The tax dispute has been deferred on appeal until the European Court of Justice has ruled on the Swedish interest deduction rules in another case. If the decision of the Court of Justice of the European Union is favorable to the taxpayer, there are likely to be good conditions for a positive resolution of Stockmann Sverige AB's tax appeal, whereas a negative decision is likely to mean that Stockmann Sverige AB's appeal will also be rejected. By Swedish law, any tax liability is immediately subject to execution despite an ongoing appeal. According to the latest decision in the case, the Swedish tax authorities require Stockmann to provide a security which will cover the possible tax liability by 28 December 2020. In the third quarter, Stockmann Sverige AB received decisions on additional tax for 2018 and 2019, a total of 8 million. In total, the additional tax for 2013–2019 is approximately EUR 34 million, which has been fully recognized as a liability in the consolidated balance sheet.

The effects of the restructuring proceedings have not been assessed and no assumptions relating to them have been made because the restructuring programme has not yet been prepared.

The actual amounts may differ from the estimates and assumptions. The estimates and assumptions presented in the Interim Management Statement are based on the management's best knowledge at the time of preparation of this Statement. The key uncertainties as well as estimates and assumptions are otherwise presented in the financial statements for 2019.

Business continuity

This Stockmann Group Interim Management Statement has been prepared based on the principle of business continuity. The Group's ability to continue its operations is dependent on the profitability of its business and on whether a viable restructuring programme will be prepared and approved for Stockmann plc. The profitability of the Group's business is dependent on future market conditions and the Group's ability to execute its business plan successfully.

On 17 August 2020, the administrator of the corporate restructuring proceedings of Stockmann plc, Attorney Jyrki Tähtinen, in accordance with the Finnish Restructuring of Enterprises Act, provided all parties concerned a report of Stockmann plc's assets, liabilities and other undertakings (as per 8 April 2020) and on the circumstances that affect the financial position of the company and its expected development. The administrator stated that the preconditions for a feasible restructuring program and the success of the restructuring proceedings and program exist.

To improve the profitability of its business, Stockmann plc has begun to adapt its costs to the change in its revenue level. To reduce costs, the company is actively engaged in negotiations with its lessors on the terms and conditions of its leases and has adapted its goods purchases so as to match expected demand. Stockmann plc has taken advantage of opportunities for delaying payments to the authorities due to the coronavirus pandemic, as well as postponing planned investments to ensure adequate liquidity.

In this Interim Management Statement, assets and liabilities are presented without any adjustments that could potentially be proposed or approved as part of the restructuring programme. The restructuring programme prepared in the restructuring proceedings may thus alter the carrying amounts presented by the Group in this Interim Management Statement. Furthermore, this Interim Management Statement does not present or account for the consequences of the restructuring proceedings, such as the realisable value of the Group's assets or whether they are sufficient for covering all debts, the amounts and seniority of the loans being restructured or other debs, or the impacts on the consolidated income statement of the changes that potentially could be made to the Group's business as a result of the final restructuring programme.

The Board of Directors of Stockmann has carefully analysed the company's overall situation in the corporate restructuring proceedings and with respect to the need for additional liquidity arising as a result of the coronavirus pandemic, and its analysis confirms the adequacy of liquidity and financing and thus supports the preparation of this Interim Management Statement in accordance with the principle of business continuity.

Impairment testing of Lindex's goodwill and brand

The carrying amounts of asset items are assessed regularly to determine whether there is any indication that an asset may be impaired. The consequences of COVID-19 can be considered a significant event that during the period has resulted in adverse changes in the economic environment in which Lindex operates, and therefore the Stockmann Group performed on 30 June 2020 an impairment testing on goodwill and the Lindex brand including information on the sensitivity analysis. On the basis of the impairment testing there is no need for impairment entries.

Although sales at Lindex stores declined still during the third quarter due to the corona virus situation it was almost fully compensated by sales in the online store and Lindex's operating profit for the period increased. The Group's management estimates that Lindex's positive development will continue and thus there is no indication that Lindex may be impaired after the impairment test on 30 June 2020. The Stockmann Group will perform goodwill and Lindex trademark impairment testing in connection with the annual financial statements on 31 December 2020.

Valuation of real estate

Land areas and buildings in own use that are recognised on the balance sheet as property, plant and equipment in accordance with IAS 16, are carried at a revalued amount in accordance with section 31 of IAS 16. Land areas and buildings are recognised on the balance sheet at a revalued amount, which is their fair value at the date of revaluation less subsequent depreciation and impairment. The assets are revalued annually or whenever there are signs that the fair value of land areas and buildings differs materially from their carrying amount. The subcomponents used in determining fair value are presented in the financial statements for 2019.

At the Interim Management Statement date, the management estimates that there are no identified significant changes in the assumptions affecting the determination of the fair value of the real estate assets. The value of real estate in this Interim Management Statement, amounting to EUR 652.8 million, is based on the fair values of EUR 667.7 million determined by an external appraiser on 31 December 2019, less depreciation according to plan for January–September 2020 totalling EUR 15.6 million.

In future, the values of real estate properties may be impacted by factors that could potentially be proposed or approved as part of the restructuring programme and proceedings.

Government grants

Grants from the governments or other similar public entities that become receivable as compensation for expenses already incurred are recognised in the income statement on the period on which the company complies with the attached conditions.

During the period, the Stockmann Group received in its various operating countries a total of EUR 8.1 million in government grants related to the COVID-19 situation. These government grants are reported as other operating income in the consolidated income statement.

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