INTERIM MANAGEMENT STATEMENT Q3 2021

STOCKMANN

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Stockmann Group's third-quarter result improved clearly in both divisions; Lindex generated its best-ever quarterly operating result

July–September 2021
- Consolidated revenue was EUR 237.8 million (207.6), up 12.0% in comparable currency rates.
- Gross margin was 59.5% (57.4).
- Operating result was EUR 33.2 million (14.3).
- The adjusted operating result was EUR 33.3 million (16.5).
- Earnings per share were EUR 0.15 (0.01).
- Adjusted earnings per share were EUR 0.15 (0.04).

January–September 2021:
- Consolidated revenue was EUR 621.5 million (558.7), up 8.8% in comparable currency rates.
- Gross margin was 59.1% (55.3).
- Operating result was EUR 31.8 million (-14.0).
- The adjusted operating result was EUR 39.0 million (-9.3).
- Earnings per share were EUR 0.08 (-0.69).
- Adjusted earnings per share were EUR 0.13 (-0.62).

Guidance for 2021 (unchanged):
Stockmann expects a clear increase to the Group revenue and the adjusted operating result to be clearly positive assuming that no major COVID-19 restrictions are imposed.

CEO Jari Latvanen:
Stockmann Group's third quarter was very strong. The operating result improved by EUR 18.9 million compared to the reference period. Lindex made its best quarterly result ever, EUR 31.6 million, and the Stockmann division improved its performance clearly, by EUR 4.7 million, reaching a positive result. Due to the increasing vaccination rate, the customer flows started to reach healthier levels in the third quarter.

Lindex generated an outstanding result due to increased sales in all markets and business areas, and a very high gross margin. Sales in the brick-and-mortar stores were boosted due to higher visitor levels, and the strong development in the online store continued.

For the first time since the fourth quarter in 2019, the Stockmann division delivered a positive result, slightly above zero. Sales in the brick-and-mortar stores increased clearly during the third quarter and changed the balance between the sales channels. Both channels showed healthy growth during the quarter. The Riga Delicatessen was re-opened in September after being closed and renovated for two months.

The execution of Stockmann's restructuring programme has proceeded according to the plan.

KEY FIGURES

	7–9/2021	7–9/2020	**1–9/2021**	1–9/2020	1–12/2020
Revenue, EUR mill.	**237.8**	207.6	**621.5**	558.7	790.7
Gross margin, %	**59.5**	57.4	**59.1**	55.3	56.1
Operating result (EBIT), EUR mill.	**33.2**	14.3	**31.8**	−14.0	−252.4
Adjusted operating result (EBIT), EUR mill.	**33.3**	16.5	**39.0**	−9.3	4.9
Result for the period, EUR mill.	**23.3**	3.3	**12.9**	−44.9	−291.6
Earnings per share, undiluted and diluted, EUR	**0.15**	0.01	**0.08**	−0.69	−3.88
Personnel, average	**5 866**	5 975	**5 611**	6 104	5 991
Cash flow from operating activities, EUR mill.	**31.9**	23.3	**66.6**	109.2	147.4
Capital expenditure, EUR mill.	**4.5**	4.2	**9.1**	14.6	19.4
Equity per share, EUR			**1.54**	5.88	2.90
Net gearing, %			**271.5**	184.5	336.1
Equity ratio, %			**16.9**	25.2	14.6

Where applicable, figures have been adjusted to correspond the change in accounting policy.

CORPORATE RESTRUCTURING PROGRAMME

In a decision on 9 February 2021, the Helsinki District Court approved Stockmann plc's restructuring programme, and the restructuring proceedings have ended. The restructuring programme is based on the continuation of Stockmann's department store operations, the sale and leaseback of the department store properties located in Helsinki, Tallinn and Riga and the continuation of Lindex's business operations as a fixed part of the Stockmann Group. The properties' sale and leaseback projects are progressing in all three countries. The aforementioned properties must be sold by 31 December 2021 at the latest at the risk of the restructuring programme lapsing, unless the Supervisor postpones the deadline for the sale until 31 December 2022 for a justified reason. The supervisor has subsequently accepted a timeline with estimated sale latest during Q1 2022 in order to reach an optimal outcome for the company and the creditors.

On 18 May 2021, the Board of Directors resolved, pursuant to the authorisation granted by the General Meeting, on a share issue of at most 100 000 000 new shares of the company, carried out in deviation from the shareholders' pre-emptive subscription rights. Furthermore, pursuant to the restructuring programme, the creditors of unsecured restructuring debt were entitled to convert their receivables under the payment programme of the restructuring programme to new senior secured bonds issued by the company.

A total of 79 335 175 conversion shares were subscribed for in the share issue, and the total number of Stockmann shares increased to a total of 154 436 944 shares. Trading with the conversion shares commenced on Nasdaq Helsinki Ltd on 7 July 2021. The subscription price was EUR 0.9106 per share and, as a result, approximately EUR 72.2 million of Stockmann's unsecured restructuring debt and hybrid loan debt were converted into Stockmann shares. The remainder of that part of the confirmed unsecured restructuring debt and hybrid loan debt which would have been eligible for share conversion in the share issue will be cut in accordance with the restructuring programme (Stock Exchange Release, 5 July 2021). Other operating income in Q3 2021 included a restructuring debt cut of EUR 2.7 million.

On 18 May 2021, Stockmann plc announced an offering of senior secured bonds to certain unsecured creditors of the issuer under the restructuring. Pursuant to the restructuring programme, the unsecured creditors were entitled to convert their receivables under the payment programme of the restructuring programme that have been confirmed to unsecured debt, by way of set-off, to senior secured bonds on a euro-for-euro basis. The aggregate principal amount of the bonds validly subscribed for by the unsecured creditors was EUR 66 149 032. Accordingly, Stockmann issued bonds to the aggregate principal amount of EUR 66 149 032. The issue date of the bonds was 5 July 2021. Trading of the bonds on the official list of Nasdaq Helsinki Ltd commenced on 7 July 2021 under the trading code 'STCJ001026'.

Following the share and bond conversions, the remaining confirmed unsecured restructuring debt under the payment programme of the restructuring programme amounts to approximately EUR 21.8 million. Under the restructuring programme, Stockmann also has restructuring debt that is conditional, the maximum amount or disputed in respect of which the amount subject to the payment programme will be confirmed later and the creditors of such restructuring debt will be entitled to convert their receivables to shares and bonds after their respective receivables have been confirmed (Stock Exchange Release, 5 July 2021).

COVID-19

The lifted restrictions related to COVID-19 have had a positive effect on Stockmann Group's operating environment and customer volumes in the third quarter.

For the Lindex division, sales during the third quarter in brick-and-mortar are back on the 2019 level despite restrictions in some markets at the beginning of the quarter. Growth in online sales continued to increase significantly compared to 2019.

In the Stockmann division, sales increased throughout the period, resulting in a notable cumulative improvement both online and in brick-and-mortar stores. A similar trend is visible in customer volumes, ending in a total volume on a par with the previous year.

Other operating income for the period included EUR 3.5 million public funding related to the COVID-19 situation received mainly by Lindex in various countries. For the third quarter, the corresponding amount was EUR 0.6 million.

REVENUE AND EARNINGS

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 2020 financial statements. The figures are unaudited.

July–September 2021

The Stockmann Group's third-quarter revenue amounted to EUR 237.8 million (207.6). Revenue was up by 14.5% on the previous year in euros, or up by 12.0% in comparable currency rates against the Swedish krona.

Revenue in Finland was up by 12.0% to EUR 72.9 million (65.1). Revenue in the other countries amounted to EUR 164.9 million (142.5), an increase of 15.7%.

Gross profit was EUR 141.5 million (119.1) and the gross margin was 59.5% (57.4). The gross margin was up to 65.0% in Lindex, and in Stockmann on a healthy level, but down from 2020 due to a different clearance mechanism.

Operating costs were up by EUR 9.7 million, or up by EUR 11.7 million including adjustments related to restructuring and other transformation measures. The costs increased mainly due to the previous year's strong cost cuts and increased sales related costs in Lindex. Operating costs totalled EUR 85.6 million (75.9).

The operating result for the quarter was EUR 33.2 million (14.3). The operating result was up in both Lindex and Stockmann. The adjusted operating result for the third quarter was EUR 33.3 million (16.5).

Net financial expenses amounted to EUR 4.2 million (9.9). The result before taxes was EUR 29.0 million (4.4).

January–September 2021

The Stockmann Group's revenue for the period amounted to EUR 621.5 million (558.7). Revenue was up by 11.2% from the previous year in euros, or up by 8.8% in comparable currency rates against the Swedish krona.

Revenue in Finland was up by 4.5%, to EUR 198.2 million (189.6). Revenue in the other countries was up by 14.7% to EUR 423.3 million (369.1), or up by 11.0% in comparable currency rates.

Gross profit was EUR 367.0 million (309.2) and the gross margin was 59.1% (55.3). The gross margin was up in both Lindex and Stockmann.

Operating costs were up by EUR 30.4 million, or up by EUR 27.9 million including adjustments related to restructuring and other transformation measures. Operating costs totalled EUR 263.6 million (233.1).

The operating result for the period was EUR 31.8 million (-14.0). The adjusted operating result for the period was EUR 39.0 million (-9.3).

Net financial expenses amounted to EUR 12.7 million (29.4). The result before taxes was EUR 19.1 million (-43.4).

Taxes for the period totalled EUR 6.2 million (1.5). On 21 May 2021, the Finnish Supreme Administrative Court handed down its decision on intra-group financing in the Stockmann Group during 2009–2011 in favour of Stockmann. The decision overturned an earlier decision handed down by the Administrative Court of Helsinki, and the Finnish tax authorities will change Stockmann's taxation for the years 2009–2011 and refund the overpaid taxes and related interest, thus Stockmann recognised a tax and interest refund total of EUR 2.9 million during the period.

The result for the period was EUR 12.9 million (-44.9). Earnings per share for the period were EUR 0.08 (-0.69). Adjusted earnings per share were EUR 0.13 (-0.62). Equity per share was EUR 1.54 (5.88).

REVENUE AND EARNINGS BY DIVISION

Stockmann Group's reporting segments are the Lindex and Stockmann divisions. The segments are reported in accordance with IFRS 8. Unallocated items include Corporate Management, Group Finance Management, Group Treasury and Internal Audit.

LINDEX

Lindex	7–9/2021	7–9/2020	1–9/2021	1–9/2020	1–12/2020
Revenue, EUR mill.	**168.9**	146.0	**429.7**	367.6	507.1
Gross margin, %	**65.0**	60.8	**65.8**	61.8	63.0
Operating result, EUR mill.	**31.6**	21.5	**50.6**	23.5	38.6
Adjusted operating result, EUR mill.	**31.6**	22.3	**56.0**	24.3	39.4
Capital expenditure, EUR mill.	**2.4**	1.5	**6.0**	6.7	8.6

July–September 2021

Lindex's revenue for the quarter was up by 15.7%, to EUR 168.9 million (146.0), or up by 12.1% in comparable currency rates against the Swedish krona. Sales in the brick-and-mortar stores increased by 7% compared to the same period in the previous year and were on a par with 2019. Growth in online sales during the quarter was 54.5% and accounted for 17.9% (13.2) of total sales. Total sales for the quarter increased in all markets and business areas.

The gross margin was 65.0% (60.8). Lindex had a better gross margin due to increased full-price sales, reduced markdowns and better intake margins.

Operating costs increased by EUR 9.4 million, to EUR 58.8 million (49.4). The costs increased compared to the previous year's strong cost cuts and due to costs related to increased sales.

Lindex's operating result for the third quarter improved by EUR 10.1 million, to EUR 31.6 million (21.5). This is Lindex's best quarterly result ever. Strong sales growth and improved margins, as well as good cost control, have all contributed to the good result.

January–September 2021

Lindex's revenue increased by 16.9%, to EUR 429.7 million (367.6). In comparable currency rates against the Swedish krona, revenue was up by 13.1%. Growth in online sales during the period was 80% and accounted for 21.0% (13.3) of total sales.

The gross margin was 65.8% (61.8) for the period.

Operating costs inreased by EUR 27.2 million, to EUR 176.7 million (149.4).

The operating result for the period was EUR 50.6 million (23.5).

Lindex's adjusted operating result for the period amounted to EUR 56.0 million, a significant improvement compared to both 2020 (24.3) and 2019 (22.8).

Lindex has continued the progress within its sustainability promise. Important work within women's empowerment is ongoing and a Global Women's Empowerment Manager has been appointed to lead the work in creating fair and equal workplaces for women in the supply chain. During the quarter, Lindex also signed a new International Accord for health and safety in the Garment and Textile Industry.

As part of Lindex's circular transformation, the fashion company is piloting second hand in a few selected stores. This gives valuable insights on how to upscale the business model, and also how to improve in designing the assortment for longevity. Lindex has set a target that, by 2025, the entire assortment will be designed for longevity and/or circularity. This is an important goal alongside Lindex's climate goal of reducing the CO2 emissions in its entire value chain by 50% by 2030.

Store network

Lindex had 445 stores in total at the end of the third quarter: 411 of its own stores and 34 franchise stores. Lindex opened two new stores and closed nine stores during the quarter. In addition to Lindex's own online store, the division also sells its products on third parties' digital platforms.

STOCKMANN

Stockmann	**7–9/2021**	7–9/2020	**1–9/2021**	1–9/2020	1–12/2020
Revenue, EUR mill.	**68.9**	61.6	**191.8**	191.1	283.6
Gross margin, %	**46.0**	49.3	**44.0**	43.0	43.9
Operating result, EUR mill.	**0.1**	−4.8	**−16.0**	−30.6	−30.8
Adjusted operating result, EUR mill.	**0.1**	−4.8	**−16.0**	−30.6	−30.8
Capital expenditure, EUR mill.	**2.1**	2.8	**3.1**	7.9	10.8

July–September 2021

The Stockmann division's third-quarter revenue grew by 11.7% and amounted to EUR 68.9 million (61.6). Merchandise sales in the brick-and-mortar stores increased significantly despite lower visitor volumes compared to the previous year. Department store sales in 2021 have experienced a steady and notable increase each quarter, while visitor volumes remained even in Q1 and Q2 and grew considerably in Q3 which is in line with the vaccination rate during Q3. The online store experienced a 26.3% increase in sales during the quarter compared to the previous year and accounted for 8.0% (7.1) of total sales.

Revenue in Finland came to EUR 53.4 million (47.1), an increase of 13.5% on the previous year. Revenue in department stores in the Baltics increased by 6.1%, to EUR 15.4 million (14.6).

The Stockmann division's Crazy Days campaign was held as an 8-day-long campaign from 29 September to 6 October 2021. For the first time since the outbreak of the COVID-19 pandemic, the campaign was arranged both in the department stores and online. This enabled the fall campaign to exceed this year's Crazy Days spring campaign sales by 58%. Compared to the 12-day-long online campaign in the fall of last year, the sales declined by 6%.

The gross margin was 46.0% (49.3). The gross margin decreased compared to last year due to a different clearance mechanism compared to 2020, still being on a healthy level.

Operating costs increased by EUR 1.8 million, to EUR 27.9 million (26.1).

The operating result for the quarter was EUR 0.1 million (-4.8).

The adjusted operating result for the quarter was EUR 0.1 million (-4.8).

January–September 2021

The Stockmann division's revenue amounted to EUR 191.8 million (191.1). Online sales grew remarkably during 2020 as the brick-and-mortar operations were limited by restrictions related to COVID-19. With the loosening of the restrictions and increased vaccination rates, the opposite effect is apparent during 2021 as online sales and visitor volumes are steadily transferred to department stores. Growth in the online store during the period was 2.4% and accounted for 15.8% (15.5) of total sales.

Revenue in Finland amounted to EUR 149.3 million (147.4), an increase of 1.3% from the previous year. Revenue in department stores in the Baltics was down 2.7%, to EUR 42.5 million (43.7). The Riga Delicatessen was closed in July and August due to store renewal, which was partly a reason for the decline.

The gross margin was up, to 44.0% (43.0). The gross margin increased mainly because regular sales consistently made up a higher share of sales than in the previous year.

Operating costs increased by EUR 5.0 million, to EUR 87.7 million (82.7).

The operating result for the period was EUR -16.0 million (-30.6).

The adjusted operating result for the period was EUR -16.0 million (-30.6).

Stockmann conducted a CSR survey of all its stakeholders for materiality assessment, which will form the basis for CSR strategy renewal in Q4 2021 – Q1 2022.

BUSINESS CONTINUITY, RISKS, AND FINANCING SITUATION

Total cash as at 31 December 2020 was EUR 152.5 million. Due to normal business seasonality, the figure declined during the first quarter of the year but improved during the second and third quarters and amounted to EUR 170.7 million at the end of Q3 2021. Both divisions have taken and will take action to improve the cash flow and net working capital position. The restructuring proceedings caused uncertainty among suppliers, but business relations are gradually returning to normal. Measures to adjust the cost structure and product intake due to the coronavirus situation have been implemented from the second quarter of 2020 onwards. During the restructuring proceedings, Stockmann plc renegotiated all department store lease agreements and office lease agreements. Thereby, lease costs and store sizes were adjusted downwards. These measures support the cash flow from 2021 onwards.

The Helsinki District Court approved the restructuring programme on 9 February 2021. The restructuring programme is based on the continuation of Stockmann's department store operations, the sale and leaseback of the department store properties located in Helsinki, Tallinn and Riga, and the continuation of Lindex's business operations as a fixed part of the Stockmann Group. The proceeds from the sale and leaseback of the department store properties will mostly be used for repayment of the secured restructuring debt by 31 December 2022 at the latest. The properties' sale and leaseback projects are progressing in accordance with the restructuring programme. The aforementioned properties must be sold by 31 December 2021 at the latest at the risk of the restructuring programme lapsing, unless the Supervisor postpones the deadline for the sale until 31 December 2022 for a justified reason.

As a part of the restructuring programme, the company's A and B share series were combined as of 12 April 2021 so that each one (1) A share was entitled to receive 1.1 B shares. The combination is intended to improve the liquidity of the share and the company's ability to secure financing from the market.

Efforts have been made to build some flexibility into the restructuring programme by converting some of the unsecured debts into the company's shares or cutting them. Half of the hybrid bond was cut during Q1 2021 and the other half was mostly converted to equity in July 2021 and partly cut. In addition, 20% of the other undisputed restructuring debt was mostly converted into equity in July and partly cut.

An unsecured creditor was entitled to exchange the payment described in the repayment schedule for a secured bond issued by the company with a five-year bullet principal repayment. The conversions were completed in July and the size of the bond is EUR 66.1 million (Stock Exchange Release, 5 July 2021).

Stockmann plc has pledged Stockmann Sverige AB's (SSAB) shares and its receivables from SSAB as a security for the bond. The different maturity profile of the secured bond brings flexibility for the company for the initial years of the restructuring programme. The programme enables Stockmann to make up a EUR 50 million tap issue on the above-mentioned secured bond. This tap issue can be used to cover short-term liquidity needs.

The remaining unsecured restructuring debt is EUR 21.8 million. A repayment schedule in accordance with the Restructuring Act has been prepared for the remaining part of the unsecured debt. The repayments will begin in April 2022.

Lindex opened foreign exchange hedging limits in September and is gradually increasing the hedging levels towards the normal level. The Group's scope for arranging new financing is limited during the execution of the corporate restructuring programme. This may have an effect on sufficiency of liquidity and on the financial position. Failure to meet the requirements, sale and leaseback of properties, and repayment of restructuring debt according to Stockmann plc's corporate restructuring programme may lead to termination of the restructuring or bankruptcy.

The prolonged effects of the COVID-19 pandemic will have an impact on Stockmann's liquidity and financial position and the value of its assets. Risks related to production and supply may arise from unusual situations such as an escalation in the COVID-19 pandemic or a new epidemic leading to government-imposed restrictions, a lack of transport capacity, strikes, political uncertainties or disputes, any of which may stop or cause delays in production or supply of merchandise and which in turn may affect business negatively. The management and the Board of Directors regularly assess the operational and strategic risks associated with the current situation.

The Swedish tax authorities have taken a negative stance on the taxation of Stockmann's subsidiary Stockmann Sverige AB regarding its right to deduct interest expenses during the years 2013–2019 for a loan raised for the acquisition of AB Lindex. In their reply, the Swedish tax authorities have concluded that Stockmann does not have the right to appeal to the European Court of Justice to gain the rejected interest deductions, and that the decision of the European Court of Justice of 20 January 2021 is of no significance regarding Stockmann's right to deduct these interest expenses. The processing of the case continues in the Court of Appeal (Stock Exchange Release, 14 May 2021).

LähiTapiola Keskustakiinteistöt Ky, the landlord of Stockmann's Tapiola department store, has initiated arbitration proceedings against Stockmann in which the company claims up to EUR 43.4 million compensation from Stockmann in accordance with section 27, subsection 1 of the Restructuring Act. The administrator of the restructuring proceedings has disputed the claim of LähiTapiola Keskustakiinteistöt Ky in the restructuring programme to the extent that it exceeds EUR 3.5 million. In connection with the same, LähiTapiola Keskustakiinteistöt Ky has filed a claim against Stockmann, Stockmann AS and the administrator and/or the supervisor at the Helsinki District Court to leave the matter in abeyance. In addition, LähiTapiola Keskustakiinteistöt Ky has appealed to the Court of Appeal regarding the decision of the Helsinki District Court to certify the restructuring programme on 9 February 2021 to the extent that the Helsinki District Court has investigated a claim by Stockmann AS instead of rejecting the claim and instructing LähiTapiola Keskustakiinteistöt Ky to deliver its claim to be reviewed in a different process. In addition, Nordika II SHQ Oy, the landlord of Stockmann's Takomotie office space, has filed a claim with the Helsinki District Court, in which the company claims compensation amounting to EUR 14.5 million at maximum from Stockmann in accordance with section 27, subsection 1 of the Restructuring Act. This claim has been disputed by the supervisor in the restructuring programme to the extent that it exceeds EUR 1.2 million. In the same claim, Nordika II SHQ Oy has named the administrator and Stockmann AS respondents.

The lessor of the Tampere department store, Mutual Insurance Fund Fennia, has commenced arbitration proceedings against Stockmann, in which the company claims up to EUR 11.9 million compensation from Stockmann in accordance with Section 27, subsection 1 of the Restructuring Act. The administrator of the restructuring proceedings has disputed the claim to the extent that it exceeds EUR 2.8 million. In addition, Mutual Insurance Fund Fennia has filed two claims with the Helsinki District Court with Stockmann, the administrator and the supervisor as respondents in the first claim and Stockmann AS respondent in the other claim. In the claims to the Helsinki District Court, Mutual Insurance Fund Fennia requests the court to confirm that the damages payable to Fennia are the maximum amount of EUR 12 million. Moreover, the second lessor of the Tampere department store, Tampereen Seudun Osuuspankki, has initiated proceedings at the Pirkanmaa District Court, in which the company claims up to EUR 20.3 million compensation from Stockmann in accordance with section 27, subsection 1 of the Restructuring Act. In the restructuring programme, the supervisor has disputed the claim presented by Tampereen Seudun Osuuspankki during the restructuring proceedings (at which time the maximum amount of the claim was EUR 17.7 million) to the extent that it exceeds EUR 2.0 million.

In addition to the above claims, the former subtenant of the Tampere department store, Pirkanmaan Osuuskauppa, has initiated arbitration proceedings in which it claims up to EUR 5.4 million compensation from Stockmann in accordance with, among others, section 27, subsection 1 of the Restructuring Act. The supervisor of the restructuring proceedings has disputed the claim for the most part. Pirkanmaan Osuuskauppa has also appealed regarding the decision of the Helsinki District Court on 9 February 2021 to certify the restructuring programme to the extent that the Helsinki District Court viewed that the damages payable to Pirkanmaan Osuuskauppa are restructuring debt instead of debt that has arisen after the application for restructuring proceedings came into force pursuant to section 32 of the Restructuring Act. Furthermore, ECR Finland Investment I Oy, the owner of Kirjatalo, has appealed the decision by Helsinki District Court on 9 February 2021 to certify the restructuring programme. ECR Finland Investment I Oy has requested that the Appeal Court confirm that its claim is based on an obligation in accordance with section 15 of the Restructuring Act, and thus, such a claim would be considered debt that has arisen after the application for restructuring proceedings came into force. Alternatively, if the court considers that the claim of ECR Finland Investment I Oy concerns restructuring debt within the meaning of section 3 of the Restructuring Act, ECR Finland Investment I Oy requests that it would in any case be entitled to receive a payment for its receivable despite the payment block in accordance with section 17 of the Restructuring Act.

With regard to the other disputed receivables mentioned in the restructuring programme, conciliation negotiations are underway and some of them have already been settled amicably. The disputes mentioned in the corporate restructuring programme concerning HOK-Elanto Liiketoiminta Oy and the landlord of the Jumbo department store have been settled.

EVENTS AFTER THE REPORTING PERIOD

The Stockmann department store business is proceeding to the next stage of its customer-focused strategy. The goal is to improve customer satisfaction and business profitability with smoother processes and a more effective unified operating model in all three countries of operation. The planned renewal of the operating model will involve the entire personnel of the Stockmann division in all three operating countries, and when implemented the impacts will extend to all operating countries. The codetermination negotiations cover 210 positions in Finland and the personnel reduction required is estimated to be 60 positions at the most. The planned measures will bring estimated annual savings of nearly EUR 4 million, gradually from the second half of 2022. The personnel reductions will not affect the department store, customer service or online store operations (press release, 11 October 2021).

Due to tightened COVID-19 restrictions and lockdown in Latvia in the end of October, the 10 Lindex stores and Stockmann’s department store in Riga, except the food department, will remain closed until the restrictions are eased.

GUIDANCE FOR 2021 (unchanged)

Stockmann expects a clear increase to the Group revenue and the adjusted operating result to be clearly positive assuming that no major COVID-19 restrictions are imposed.

MARKET OUTLOOK FOR 2021

Uncertainty in the global economy is expected to persist throughout 2021, and the COVID-19 pandemic will continue to have a significant impact on the economy across the world, until the coronavirus situation is under better control. The retail market is expected to remain challenging due to changes in consumer behaviour and confidence, which are also affected by the coronavirus situation.

The Stockmann division will continue to execute the restructuring programme and Lindex to drive efficiencies and explore new growth opportunities.

Helsinki, 28 October 2021

STOCKMANN plc
Board of Directors

FINANCIAL INFORMATION

This Interim Management Statement has been prepared in compliance with IAS 34. The figures are unaudited.

CONSOLIDATED INCOME STATEMENT

EUR mill.	**1.1.–30.9.2021**	1.1.–30.9.2020	1.1.–31.12.2020
REVENUE	**621.5**	558.7	790.7
Other operating income	**6.2**	8.1	9.7
Materials and consumables	**−254.5**	−249.5	−347.0
Wages, salaries and employee benefit expenses	**−140.6**	−132.6	−181.9
Depreciation, amortisation and impairment losses	**−77.9**	−98.1	−379.9
Other operating expenses	**−122.9**	−100.6	−144.0
Total expenses	**−595.9**	−580.7	−1 052.7
OPERATING PROFIT/LOSS	**31.8**	−14.0	−252.4
Financial income	**2.6**	4.9	3.7
Financial expenses	**−15.2**	−34.4	−45.4
Total financial income and expenses	**−12.7**	−29.4	−41.6
PROFIT/LOSS BEFORE TAX	**19.1**	−43.4	−294.0
Income taxes	**−6.2**	−1.5	2.4
NET PROFIT/LOSS FOR THE PERIOD	**12.9**	−44.9	−291.6
Profit/loss for the period attributable to:			
Equity holders of the parent company	**12.9**	−44.9	−291.6
Earnings per share, EUR:			
From the period result (undiluted and diluted)*	**0.08**	−0.69	−3.88

* Earnings per share for comparable periods has been restated to reflect the changes in number of shares

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR mill.	**1.1.–30.9.2021**	1.1.–30.9.2020	1.1.–31.12.2020
PROFIT/LOSS FOR THE PERIOD	**12.9**	−44.9	−291.6
Other comprehensive income:			
Items that may be subsequently reclassified to profit and loss			
Exchange differences on translating foreign operations, before tax	**−2.9**	6.0	37.9
Exchange differences on translating foreign operations, net of tax	**−2.9**	6.0	37.9
Cash flow hedges, before tax	**0.3**	1.3	1.4
Cash flow hedges, net of tax	**0.3**	1.3	1.4
Other comprehensive income for the period, net of tax	**−2.6**	7.3	39.3
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**10.3**	−37.5	−252.3
Total comprehensive income attributable to:			
Equity holders of the parent company	**10.3**	−37.5	−252.3

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR mill.	**1.1.–30.9.2021**	1–1.–30.9.2020	1.1.–31.12.2020
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Goodwill	**273.7**	500.6	277.5
Trademark	**89.4**	86.0	90.6
Intangible rights	**30.9**	29.8	30.4
Other intangible assets	**1.3**	1.5	1.4
Advance payments and construction in progress	**1.7**	2.9	1.6
Intangible assets, total	**397.0**	620.8	401.5
Property, plant and equipment			
Land and water		17.5	
Buildings and constructions		230.4	
Machinery and equipment	**40.0**	45.9	44.5
Modification and renovation expenses for leased premises	**4.6**	4.4	4.2
Right-of-use assets	**301.7**	403.2	351.4
Advance payments and construction in progress	**1.3**	12.2	11.6
Property, plant and equipment, total	**347.6**	713.6	411.8
Investment properties	**0.5**	0.5	0.5
Non-current receivables	**1.5**	1.4	1.7
Non-current lease receivables		8.0	3.9
Other investments	**0.2**	0.2	0.2
Deferred tax assets	**29.1**	17.2	27.8
NON-CURRENT ASSETS, TOTAL	**775.9**	1 361.7	847.4
CURRENT ASSETS			
Inventories	**167.6**	150.1	135.3
Current receivables			
Interest-bearing receivables	**0.3**	0.1	0.0
Lease receivables		0.9	0.5
Income tax receivables	**2.5**	0.4	0.3
Non-interest-bearing receivables	**45.9**	41.8	45.0
Current receivables, total	**48.7**	43.3	45.8
Cash and cash equivalents	**169.8**	132.0	152.3
CURRENT ASSETS, TOTAL	**386.2**	325.4	333.4
ASSETS CLASSIFIED AS HELD FOR SALE	**248.4**		247.3
ASSETS, TOTAL	**1 410.5**	1 687.1	1 428.1

EUR mill.	**1.1.–30.9.2021**	1–1.–30.9.2020	1.1.–31.12.2020
EQUITY AND LIABILITIES			
EQUITY			
Share capital	**77.6**	144.1	144.1
Share premium fund		186.1	186.1
Invested unrestricted equity fund	**72.0**	250.4	250.4
Other funds	**0.4**	43.8	43.8
Translation reserve	**17.5**	−11.5	20.4
Retained earnings	**70.8**	−294.9	−541.7
Hybrid bond		105.8	105.8
Equity attributable to equity holders of the parent company	**238.2**	423.9	209.0
EQUITY, TOTAL	**238.2**	423.9	209.0
NON-CURRENT LIABILITIES			
Deferred tax liabilities	**38.9**	44.8	35.9
Non-current interest-bearing financing liabilities	**66.0**		
Non-current lease liabilities	**249.7**	352.5	290.7
Non-current non-interest-bearing liabilities and provisions	**32.8**	0.2	0.2
NON-CURRENT LIABILITIES, TOTAL	**387.4**	397.6	326.9
CURRENT LIABILITIES			
Current interest-bearing financing liabilities	**430.0**	488.0	488.2
Current lease liabilities	**72.1**	82.6	80.5
Current non-interest-bearing liabilities			
Trade payables and other current liabilities	**216.9**	252.6	249.6
Income tax liabilities	**46.1**	38.6	39.6
Current provisions	**4.8**	3.9	17.0
Current non-interest-bearing liabilities, total	**267.8**	295.1	306.2
CURRENT LIABILITIES, TOTAL	**769.9**	865.6	874.9
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	**15.1**		17.4
LIABILITIES, TOTAL	**1 172.3**	1 263.2	1 219.1
EQUITY AND LIABILITIES, TOTAL	**1 410.5**	1 687.1	1 428.1

CONSOLIDATED CASH FLOW STATEMENT

EUR mill.	**1.1.–30.9.2021**	1–1.–30.9.2020	1.1.–31.12.2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/loss for the period	**12.9**	–44.9	–291.6
Adjustments for:			
Depreciation, amortisation and impairment losses	**77.9**	98.1	379.9
Interest and other financial expenses	**15.2**	34.4	45.4
Interest income	**–2.6**	–4.9	–3.7
Income taxes	**6.2**	1.5	–2.4
Other adjustments	**0.6**	2.8	15.9
Working capital changes:			
Increase (-) /decrease (+) in inventories	**–33.5**	–5.5	13.9
Increase (-) / decrease (+) in trade and other current receivables	**–10.0**	–5.8	–9.7
Increase (+) / decrease (-) in current liabilities	**20.1**	52.7	25.3
Interest expenses paid	**–18.4**	–24.4	–30.3
Interest received from operating activities	**0.1**	0.7	0.8
Income taxes paid from operating activities	**–2.0**	4.5	4.1
Net cash from operating activities	**66.6**	109.2	147.4
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of tangible and intangible assets	**0.1**		
Purchase of tangible and intangible assets	**–10.2**	–14.3	–18.7
Exchange rate gain on the hedge of a net investment and internal loan*)		7.1	7.1
Dividends received from investing activities	**0.0**		1.6
Net cash used in investing activities	**–10.1**	–7.2	–10.0
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan conversion costs	**–0.4**		
Proceeds from current liabilities		53.3	53.3
Repayment of current liabilities		–45.4	–45.4
Proceeds from non-current liabilities		75.4	75.4
Repayment of non-current liabilities		–6.4	–6.4
Payment of lease liabilities	**–37.3**	–61.1	–80.2
Interest on hybrid bond		–8.2	–8.2
Net cash used in financing activities	**–37.7**	7.6	–11.5
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**18.8**	109.6	125.9
Cash and cash equivalents at the beginning of the period	**–152.3**	24.9	24.9
Cheque account with overdraft facility		–2.3	–2.3
Cash and cash equivalents at the beginning of the period	**–152.3**	22.7	22.7
Net increase/decrease in cash and cash equivalents	**16.3**	109.6	125.9
Effects of exchange rate fluctuations on cash held	**–1.2**	–0.2	3.7
Cash and cash equivalents at the end of the period	**169.8**	132.0	152.3
Cash and cash equivalents at the end of the period	**169.8**	132.0	152.3

*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	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	−1.3	250.4	43.8	−17.5	−241.8	363.8	105.8	**469.6**
Profit/loss for the period							−44.9	−44.9		**−44.9**
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	−44.9	−37.5		**−37.5**
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		250.4	43.8	−11.5	−294.9	318.0	105.8	**423.9**

EUR mill.	Share capital	Share premum fund	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	−1.3	250.4	43.8	−17.5	−241.8	363.8	105.8	**469.6**
Profit/loss for the period							−291.6	−291.6		**−291.6**
Exchange differences on translating foreign operations			0.1			37.9		37.9		**37.9**
Cash flow hedges			1.3					1.3		**1.3**
Total comprehensive income for the period, net of tax			1.4			37.9	−291.6	−252.4		**−252.4**
Interest paid on hybrid bond							−8.2	−8.2		**−8.2**
Other changes in equity total							−8.2	−8.2		**−8.2**
EQUITY 31.12.2020	144.1	186.1		250.4	43.8	20.4	−541.7	103.2	105.8	**209.0**

EUR mill.	Share capital	Share premum fund	Hedging reserve	Reserve for un-restricted equity	Other reserves	Translation differences	Retained earnings	Total	Hybrid bond	**Total**
EQUITY 1.1.2021	144.1	186.1		250.4	43.8	20.4	−541.7	103.2	105.8	**209.0**
Profit/loss for the period							12.9	12.9		**12.9**
Exchange differences on translating foreign operations			0.0			−2.9		−2.9		**−2.9**
Cash flow hedges			0.3					0.3		**0.3**
Total comprehensive income for the period, net of tax			0.3			−2.9	12.9	10.3		**10.3**
New share issue										
Reduction of share capital to cover losses	−66.5						66.5			
Usage of unrestricted equity funds to cover losses		−186.1		−250.4	−43.7		480.2			
Share issue to creditors for unsecured restructuring debt				72.0				72.0	−53.1	**18.9**
Hybrid bond cut							52.7	52.7	−52.7	
Other changes in equity total	−66.5	−186.1		−178.4	−43.7		599.5	124.8	−105.8	**18.9**
EQUITY 30.9.2021	77.6		0.3	72.0	0.1	17.5	70.8	238.2		**238.2**

RESTRUCTURING DEBT

EUR mill.	**30.9.2021**
Non-current non-interest-bearing restructuring debt, unsecured *	**19.8**
Current interest-bearing restructuring debt, secured	**430.0**
Current non-interest-bearing restructuring debt, unsecured **	**2.0**
Restructuring debt total	**451.7**
Provisions related to restructuring debt***	**17.6**
Total	**469.3**

Stockmann plc's intra-group restructuring liabilities amount to EUR 63.9 million.
* Non-current part of the remaining unsecured restructuring debt after the debt cut and conversions into equity and a secured interest-bearing 5 year bullet bond. The non-current part will be paid according to the restructuring programme during 2023-2028.
** Current part of the remaining unsecured restructuring debt after the debt cut and conversions into equity and a secured interest-bearing 5 year bullet bond. The current part will be paid in April 2022.
*** Consists of disputed landlords' claims for terminated lease agreements.

CASH FLOWS BASED ON AGREEMENTS IN FINANCIAL LIABILITIES AT 30 SEPTEMBER 2021

EUR mill.	Carrying amount	1.10.2021–30.9.2022	1.10.2022–30.9.2023	1.10.2023–30.9.2024	1.10.2024–30.9.2025	1.10.2025–	Total
Non-current restructuring debts	19.8		−2.0	−2.0	−2.0	−13.9	−19.8
Current restructuring debts	432.0	−439.5					−439.5
Restructuring debts total	451.7	−439.5	−2.0	−2.0	−2.0	−13.9	−459.2
Non-current Bond (5-y Bullet)	66.0	−0.1	−0.1	−0.1	−0.1	−66.2	−66.4
Current trade payables and other current liabilities	132.9	−132.9					−132.9
Non-current lease liabilities	249.7		−62.6	−55.1	−46.5	−107.7	−271.8
Current lease liabilities	72.1	−72.5					−72.5
Lease liabilites, total	321.8	−72.5	−62.6	−55.1	−46.5	−107.7	−344.4
Total	972.4	−645.0	−64.6	−57.2	−48.5	−187.7	−1 003.0

The cash flows presented are based on the restructuring programme approved on 9 February 2021 and they include financing costs.
Assumption in the calculation is that the real estate properties will be liquidated and the secured restructuring debt paid within 12 months.
At the end of June 2021 Restructuring debts amounted to EUR 539.9 mill. In July 2021 EUR 66.1 mill. was converted into a new bond, which will be repaid in 2025 and to which annual interest of EUR 0.1 mill. will be paid. EUR 19.1 mill. was converted into equity in July 2021 and EUR 2.7 mill. was cut. EUR 430.0 mill. presented in s current financing liabilities will be repaid during the next 9 months together with EUR 7.5 mill. of interest. The remaining unsecured restructuring debt EUR 21.8 mill. will be paid according to restructuring programme during 2022-2028. Provisions regarding disputed landlords' claims are not included in the cash flows.
Carrying amount of lease liabilities is discounted in accordance with IFRS 16. Annual cash flows are presented in nominal values.

FINANCIAL INCOME AND EXPENSES

EUR mill.	**30.9.2021**	30.9.2020	31.12.2020
Dividend income from other investments	**0.0**		1.6
Interest income on bank deposits, other investments and currency derivatives	**0.9**	0.0	0.0
Interest income from lease contracts	**0.0**	0.6	0.7
Other financial income	**1.6**	4.3	0.8
Foreign exchange differences	**0.0**		0.5
Financial income, total	**2.6**	4.9	3.7
Interest expenses on financial liabilities measured at amortised cost	**−6.0**	−15.2	−20.3
Interest expenses from lease contracts	**−9.2**	−15.4	−21.2
Other financial expenses		−3.7	−3.8
Financial expenses, total	**−15.2**	−34.4	−45.4
Financial income and expenses, total	**−12.7**	−29.4	−41.6

2021 includes EUR 1.5 mill. gain on the change in the lease agreements and EUR 0.9 mill. interest due to tax return

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